United States Mint

1995 Annual Report

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Founded in 1792 by Thomas Jefferson and Alexander Hamilton, the United States Mint became a bureau of the Department of the Treasury in 1893 and today is the world's largest coin manufacturer, with operations in California, Colorado, Kentucky, Maryland, New York, Pennsylvania, and Washington, D.C. Our missions are to produce the nation's circulating coinage, to manufacture and market coin and medal products worldwide, and to safeguard the nation's bullion reserves at Ft. Knox. These missions and our effectiveness in executing them make the United States Mint one of the few federal agencies that produces an operating profit. Every year, our manufacturing and marketing generate approximately $1 billion in revenues for the American people and hundreds of millions of dollars for private sector firms with which we do business.

60487

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
WASHINGTON, DC 20220

DIRECTOR

To Our Colleagues and Customers:

In this, my second annual report to you, I am proud to announce that the United States Mint evolved faster and advanced farther in 1995 than any other year during our 200-year history.

Created as one of our fledgling nation's first federal agencies in 1792, today the Mint stands first among equals in shaping a government that works better, costs less, and serves the American people more effectively.

In the following pages, you will see that we have become a Fortune 500-size public sector enterprise more in charge of its destiny than ever, more business-minded and customer-driven, and better able to employ the best practices to benefit our customers and our nation.

Because of what we achieved in 1995, we enter 1996 as a vigorous, competitive, customer-centered business that operates on its own revenues . . . has expanded its product line . . . doubled the number of nations in which it sells . . . blanketed the United States with a retail coin program . . . slashed turnaround time on customer orders . . . earned a world-class ranking for customer service . . . received its second Hammer Award as a model of government reinvention . . . succeeded with the most ambitious legislative agenda in its history . . . added key management . . . launched the largest commemorative coin program in American history. . . and set a world record for producing circulating coinage.

Credit for these accomplishments belongs to the 2,200 U.S. Mint employees nationwide who demand the best of themselves and give it year-round. Their commitment and hard work are building a can-do culture at the Mint, a culture that respects our past but puts aside outmoded ways and every day takes steps toward a more promising and productive future.

On their behalf, I invite you to review our achievements of 1995.

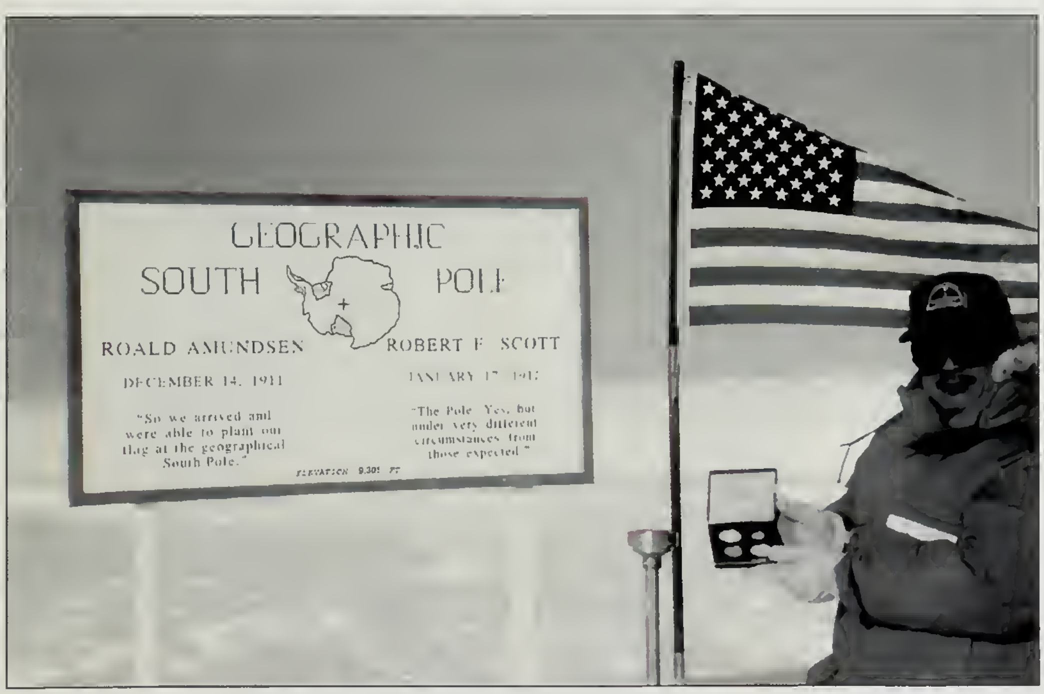
Sincerely,

Philip N. Diehl
Director
United States Mint

A Year of Extraordinary Progress

Unprecedented Legislative Advances

We achieved a series of legislative advancements in 1995 that are unprecedented in Mint history for their scope and degree of change. Foremost among those advancements was enactment of Public Enterprise Fund provisions of the Treasury Appropriations Bill that give us the financial resources to function in a businesslike manner. For the first time since 1792, the Mint will fund its entire activities with revenues derived from our business lines and will no longer operate under a cumbersome financial structure of multiple appropriations and funds. Beginning in 1996, we will finance operations on Federal Reserve payments for production of circulating coinage and profits from numismatic and bullion coin sales. This single-fund structure will vastly simplify our accounting, reduce costs, and assure continuous operating capital. Equally important, we now are exempt from federal procurement rules, which will allow us broader, more competitive, and expedited selection of materials and vendors and will reduce operating costs.



Erick Chiang, Manager of the National Science Foundation's Polar Research Support Section, shows off the Mint's 1995-96 Centennial Olympic coins at the South Pole. Selling coins to researchers in Antarctica marks the first time the Mint has promoted coins on all seven continents. (photo by Dr. John T. Lynch, Program Manager for NSF's Astronomy and Astrophysics Division).

Without doubt, passage of the Public Enterprise Fund was the most significant enhancement to our operating authorities since America's Founding Fathers brought the Mint into being. The Mint now is a Fortune 500-equivalent public sector enterprise better able to chart its course and to employ best-in-business practices for our nation and our customers. We are honored by the confidence Congress has shown in our progress by granting us this operating freedom, and we are determined to make wise and prudent use of it.

In December we sponsored the first Director's Conference in the history of Eagle program sales.

In late December, President Clinton signed legislation reducing total mintages for the Atlanta Olympic program by 32 percent and mintages on its 1996-dated gold and silver coins by 58 percent. This was the first time in the modern commemorative era that the Mint approached Congress to alter mintages after a coin program was enacted. Although the Atlanta Olympic program remains the largest in our history, the reduction demonstrates our commitment to work with Congress to reduce mintages for all future commemorative programs.

We're also working to reduce the number of commemorative programs enacted, and we were pleased that Congress extended into 1996 the moratorium on new issues of commemorative coins not already endorsed by the Citizens Commemorative Coin Advisory Committee (CCCAC). The moratorium had been scheduled to expire in August, 1995. Since formation of the CCCAC in December 1993, Congress has also heeded the call for enacting smaller commemorative programs, approving mintages, on average, of about 700,000 coins per program compared to an average of 7.7 million coins per program before the CCCAC's first report to Congress in November 1994.

Also late in 1995, the House of Representatives passed legislation that modifies policies for paying surcharges to beneficiaries of commemorative coin programs, assures greater accountability for beneficiary organizations, gives the Mint authority to produce platinum coins, expands our authority for producing varieties of gold coins, and eliminates presidential appointees at Mint production facilities. These measures address longstanding weaknesses of commemorative coin programs, open exciting possibilities for international bullion coin sales, and pro-

Telecommunications Manager Ginni Trotti, Marketing Director Dave Pickens, Deputy Mint Director John Mitchell, Mint Director Philip N. Diehl, Marketing Chief Program Manager Dufour Woolfley, Assistant Director for Process Control and Quality Assurance George Hunter, and Customer Relations Chief Debbie Johnson celebrate the Mint's second Hammer Award from Vice President Gore's National Performance Review.

We set a record for circulating coin output by producing more than 19.5 billion coins in 1995.

mote efficiencies that are good business and good government. This legislation is now before the Senate, and we are optimistic that it will concur with the House in final passage of these measures.

Fiscal 1994's annual report indicated that one of our legislative priorities was to revise the manner in which commemorative coin programs are approved and implemented. As you see, we made progress with that priority during 1995. Longtime observers of Capitol Hill say our 1995 legislative agenda was the most ambitious, focused, and successful they've ever seen the Mint undertake. We are proud to have been a legislative voice for collectors and will continue to make their viewpoint known to Congress in the coming legislative session.

At a Vatican audience granted to Mint Director Philip N. Diehl, Pope John Paul II joined world leaders who support the Mint's 1995-96 Olympic program in 43 nations.

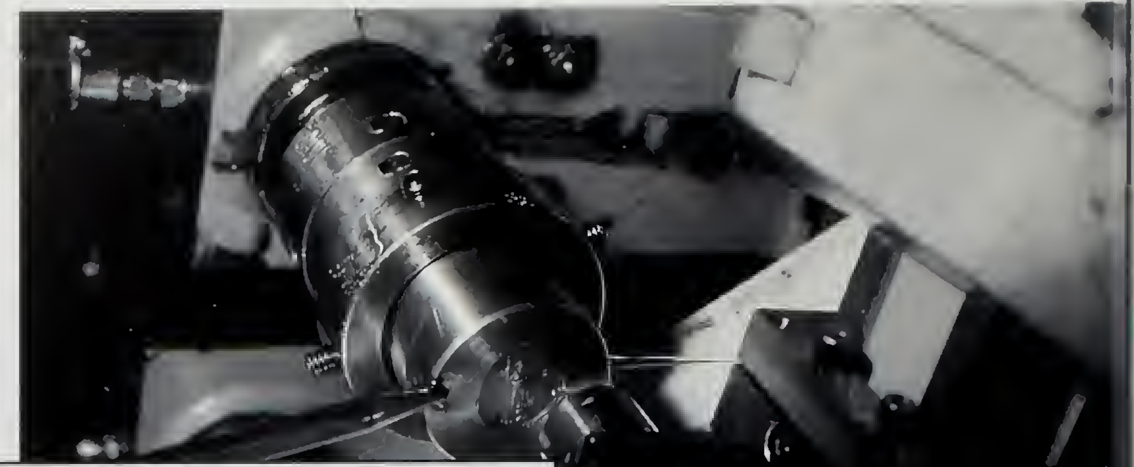
Record Circulating Coin Production

Continuing strength in the U.S. economy drove coin demand to new highs in fiscal 1995, and we met that challenge by breaking a 13-year record for producing circulating coinage. We manufactured 19,519,253,440 coins, surpassing fiscal 1982's record of 19,467,902,254 coins.

The Denver Mint produced 10,307,156,440 coins in fiscal 1995, an all-time high eclipsing fiscal 1989's single-facility record of 10,109,072,000

A MINT 1ST

The 1995 Special Olympics Silver Dollar is the first national coinage to honor people with mental retardation.



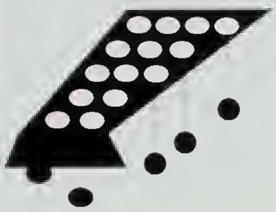
The Production Process

Blanking

The U.S. Mint buys strips of metal about 13 inches wide and 1,500 feet long. The strips come rolled in a coil. Each coil is fed through a *blanking press* which punches out round discs called *blanks*. The leftover strip, called webbing, is shredded and recycled. (Sometimes the Mint buys ready-made blanks.)

Annealing, Washing, and Drying

The blanks are heated in an *annealing furnace* to soften them. Then they are run through a washer and dryer.

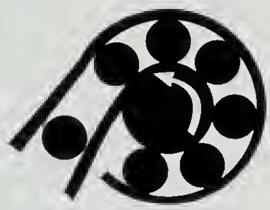


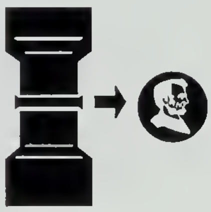
Riddling

The shiny blanks are sorted on a riddler to screen out any that are the wrong size or shape.

Upsetting

Next the good blanks go through an upsetting mill. This raises a rim around their edges.



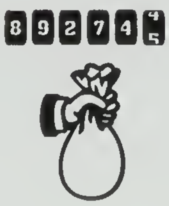


Striking

Finally the blanks go to the coining press. Here they are stamped with the designs and inscriptions which make them genuine United States coins.

Inspecting

A *press operator* uses a magnifying glass to spot-check each batch of new coins. Then all the coins go through a *coin sizer* to remove any misshapen or dented ones.

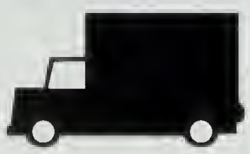


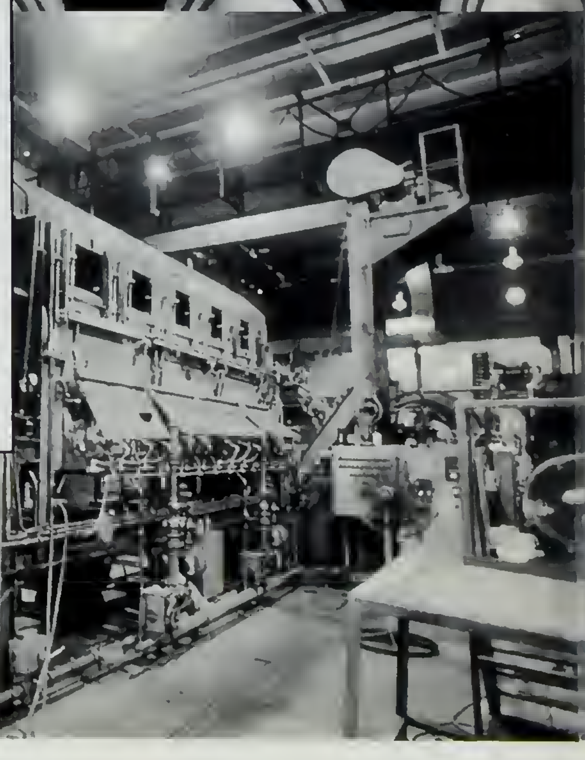
Counting and Bagging

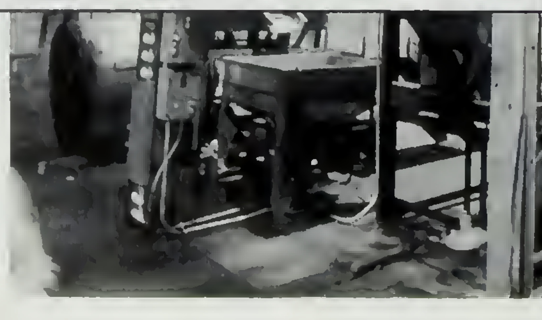
An *automatic counting machine* counts the coins and drops them into large canvas bags. The bags are sewn shut, loaded on pallets, and taken by forklifts to be stored in vaults.

Shipping

New coins are shipped by truck to Federal Reserve Banks. From there the coins go to your local bank!







(photos by Lee Anderson)

A MINT 1ST

The Mint now sells commemorative coins on all 7 continents. In the past two years we've opened new markets in 21 nations.

Swiss Special Olympics Chairman Regina Müller introduces Swiss Special Olympics athletes to Juan Antonio Samaranch, President of the International Olympic Committee, during induction of the 1995 Special Olympics World Games Silver Dollar in the IOC Museum in Lausanne, Switzerland.

coins by the Philadelphia Mint.

Fiscal 1995 circulating coin production generated $721,764,722 in seigniorage profits for the American people, the highest since 1979, when we produced the Susan B. Anthony dollar. Measured as the difference between coins' face value and costs of production and distribution, seigniorage profits improve the nation's balance sheet by reducing the amount the federal government is required to borrow.

Fiscal 1995's achievements represent even greater effort than is apparent. Following fiscal 1994's third-highest-ever output of 19,220,758,000 coins, we had been operating near peak demand for more than 24 months. In short, our people did another commendable job under difficult conditions to meet our primary constitutional mission.

During the year we also completed construction for a new die shop in Denver, which we anticipate bringing on line in the spring of 1996. A $12 million investment, the new die shop is the first addition of die manufacturing capacity since 1969 and one that is critical to assuring our mission in producing circulating and commemorative coins.

In 1995 our financial statements earned our first unqualified audit opinion, a goal we achieved two years ahead of schedule.

Now that we operate on our own revenues, we will for the first time in decades be able to initiate a workable capital investment program, and we are embarking on a five-year, one hundred-million dollar plus schedule for upgrading plant and equipment. This much-needed capital investment will enhance our production quality and proficiency and enable us to lower costs.

World Class Standing for Customer Service

According to customers' evaluations of our numismatic products and services, the U.S. Mint during 1995 joined the top ranks of American business and became a leader in government's efforts to provide unmatched customer service.

That conclusion emerged in a survey of our commemorative and numismatic customers by the National Quality Research Center (NQRC) at the University of Michigan School of Business. NQRC surveyed our customers' perceptions of quality, value, and service plus how well products and services met expectations, then compared Mint-specific findings against ratings published in *Fortune Magazine* by the American Society for Quality Control and NQRC. We scored 90 of 100 possible points in assessments of customer loyalty and received our highest marks--93 of 100 points--in quality of commemorative and numismatic products. Overall, we scored 85 on a 100-point American Customer Satisfaction Index, a rating NQRC described as the highest ever achieved by any govern-

Sales of U.S. Mint commemorative coins have raised more than $310 million dollars for the nation's most revered monuments and memorials. Sales have helped to create, preserve, or maintain the White House, the U.S. Capitol, the Vietnam Veterans Memorial, the Women in Military Service Memorial, Monticello, Mount Vernon, Mount Rushmore, the Statue of Liberty, the Korean War Memorial, Olympic training facilities, Civil War battlefields, and numerous other sites.

A MINT 1ST

The Denver Mint set a new single-facility record for circulating coin production in 1995--10.3 billion coins.

ment agency and equal to giants in customer satisfaction like PepsiCo, Maytag, Federal Express, Proctor & Gamble, and Mercedes-Benz.

Just as NQRC revealed its findings, we received our second Hammer Award from Vice President Al Gore's National Performance Review recognizing the variety of customer service initiatives we've undertaken. The Hammer spotlights agencies that epitomize the Clinton Administration's insistence on reducing costs, streamlining operations, and improving service to the American people. Our second Hammer in two years, we were pleased by this confirmation that we are a leader in fostering government that works better and costs less.

Acclaiming the first decade of the American Eagle program, the 10th Anniversary Eagle Proof Set included one of the rarest silver dollars in the 20th century--a Silver Eagle from the West Point Mint.

Our continuing acceleration in order fulfillment is another sign we're improving customer service. It took us eight weeks to process and ship half of our orders in 1993, but in autumn 1994 we were executing 95 percent of orders in four weeks. By autumn 1995, we were filling half our orders in two weeks and offering two-day delivery from our Holiday Gift Catalogue. We have announced a commitment to even tougher standards for our annual numismatic products in 1996.

Smashing the Mold in Marketing

In 1995 our marketing department broke from decades of tradition as a mail order marketer of commemorative, bullion, and numismatic coins by expanding our product lines, packaging options, geographic and demographic markets, and sales and distribution capabilities. By the close of the year, we had combined our own basic business competence in manufacturing and mail order with private sector expertise to become a mass marketer operating a coast-to-coast U.S. retail sales network

In response to longstanding customer demand, we brought 1995 American Eagles to market in April, earlier in the year than ever before.

A MINT 1ST

and selling coins on all seven continents. These new capabilities are building resources for future coin programs and increasing our abilities to form relationships with private sector partners.

During fiscal 1995 our marketing staff managed nine commemorative coin programs that generated $90.1 million in booked revenues, $22.4 million in surcharges for beneficiary organizations, and $16.6 million for the Treasury General Fund through our purchases of gold and silver. Not included in those fiscal year totals are an additional $38 million in contracted sales and an additional $13 million in surcharges that will be realized in 1996.

Since the modern commemorative coin era began in 1982, our commemorative coin sales have raised more than $1.6 billion in gross revenues, more than $310 million in surcharges, and more than $620 million for the Treasury General Fund. Through surcharges included by law in commemorative coin prices, the Mint and the nation's coin collectors have built Olympic training facilities and helped to create or maintain America's most revered monuments and memorials, including the White House, the U.S. Capitol, the Vietnam Veterans Memorial, the Women in Military Service Memorial, the Korean War Memorial, Monticello, Mount Vernon, Mount Rushmore, the Statue of Liberty, and numerous Civil War battlefields.

We brought the World War II and World Cup Soccer programs to a close early in the fiscal year and extended sales of our Capitol and Veterans coins through July

At the Washington, D.C., ground breaking for the Women in Military Service Memorial, Mary Lou Keener from the Dept. of Veterans Affairs displays a 1995 WIMSA Silver Dollar. Applauding are Air Force Chief Master Sergeant Daisy L. Jackson, former Congresswoman Mary Rose Oakar, WWI Navy veteran Helene Johnson Coxhead, Mint Director Philip N. Diehl, Army Chief of Staff Gen. Dennis J. Reimer, Air Force Chief of Staff Gen. Ronald Fogleman, and Secretary of the Army Togo D. West, Jr.

1995. We launched sales of our Civil War Battlefield Commemorative Coins in March and sales of the Special Olympics World Games Silver Dollar in May, and we plunged into the second year of sales for coins commemorating the 1996 Atlanta Centennial Olympic Games.

We were particularly pleased by sellouts of the Capitol program's Architectural History Edition and the Civil War program's Young Collectors Edition. We were pleased, also, by market response to distinctive packaging and coin-derived products from our Civil War program. Collectors and Civil War enthusiasts praised our two-coin and three-coin Union Box display cases, authentic reproductions of 1860s photo cases in which soldiers carried early photographs and remembrances. The money clip we produced using the program's gold-and-silver-electroplated half-dollar was a runaway seller, with sales 14 times projections.

Mint Director Philip N. Diehl and civil rights legend Dorothy Height, President of the National Council of Negro Women, share a moment at the Black Family Reunion where we introduced our African American Heroes Set, our first collection of medals honoring Black Americans.

The Special Olympics Silver Dollar was the first coin in U.S. history to bear the likeness of a living woman--Special Olympics founder Eunice Kennedy Shriver--and the first coin in world history to honor the achievements of people with mental retardation. In late December a corporate sponsor of Special Olympics purchased 250,000 coins, bringing the program to a successful close with the largest individual purchase of a single coin in our history.

A MINT 1ST

Our continued emphasis on customer service has produced the shortest delivery cycle in Mint history. We're now filling 95% of our orders within four weeks.

1995 Commemorative Coin Programs

Special Olympics World Games Silver Dollar

FY '95 Revenues:	$5,902,626
Surcharges:	$1,814,680
Beneficiary:	Special Olympics World Games Organizing Committee, Inc.
Preliminary calendar 1995 results:	Revenues $11,152,958 Surcharges $4,450,190

Program closed December 31, 1995

Civil War Battlefield Commemorative Coins

FY '95 Revenues:	$28,085,999
Surcharges:	$5,426,534
Beneficiary:	Civil War Battlefield Trust
Preliminary calendar 1995 results:	Revenues $30,853,376 Surcharges $5,836,799

Program extended through May 1996

A MINT 1ST

Beginning in 1996 we will operate under a single revolving fund, eliminating our need to request yearly Congressional appropriations.

1995-96 Centennial Olympic Program

Paced by record breaking international contracts and an unprecedented retail effort, completed and contracted sales of our 1995-96 Atlanta Centennial Olympic coins have surpassed $83 million and raised more than $24 million for training U.S. athletes and hosting in the Centennial Olympic Games.

The 10-coin retail ensemble is one of several products specially created for the Mint's Olympic retail campaign

1995-96 Atlanta Centennial Olympic Coins

FY '95 Revenues:	$44,920,355
Surcharges:	$11,220,140
Beneficiary:	Atlanta Centennial Olympic Properties
Preliminary calendar 1995 results:	Revenues $58,664,068 Surcharges $14,262,052

Program ends December 1996

Our 1995-96 Olympic coin program is both the showpiece of and a catalyst for the progress under way at the new Mint. With this program, we've set a record in international markets for the Mint. We've signed minimum international sales agreements exceeding $32 million with 25 distributors in 43 nations, 21 of them first-time markets for us. We are selling Atlanta Olympic coins throughout North America, South America, Europe, Asia, Africa, the Mideast, Australia, and Antarctica. Targeted international sales exceed $50 million.

Gratifying as our international success is, it was clear from the start that a coin program of this magnitude would be our most formidable marketing challenge and would require dramatic departures from tradition. In the United States, especially, our core of numismatic customers--between 1 million and 2 million buyers--simply cannot absorb a coin program this size. Our answer was to match our tradi-

A MINT IS

In a 1995 national quality assessment by the University of Michigan, the Mint received the highest customer service rating ever earned by any federal, state, or local government agency.

tional mail order business with an aggressive over-the-counter retail sales initiative. In short, to sell coins to people who have never bought coins.

We started by creating an internal Olympic coin retail task force, in effect a self-standing consumer products company within the Mint, a subsidiary with its own marketing, sales force, advertising, and retail expertise. In its first eight months of operation, the task force did what a private sector firm would have taken several years to do: it joined with more than 40 banks and retailers to sell Olympic coins in more than 5,000 locations nationwide. Our retail partners include the best recognized and most respected names in business, including Wal-Mart, J.C. Penney, Coca-Cola, NationsBank, Sears, and many others. In addition, the task force has launched an affinity program with 19 firms that will feature Olympic coins in mailings to 50 million of their customers early in 1996. This public-private partnership extends our outreach far beyond the number of traditional collectors.

We reached further beyond our traditional customer base during the year-end holiday season with mailings of two strikingly non-traditional catalogues to 1.7 million people on our list and acquired lists of premier catalogue customers. Customers used to our past mailings may have been surprised--pleasantly we hope--by

A MINT 1ST

In December we reported the largest individual sale of a commemorative coin on record, 250,000 coins to a corporate sponsor of Special Olympics.

the larger size, four-color presentation, and sweepingly contemporary look of our two catalogues and their emphasis on coins and coin products as gifts. Our catalogues' new look and sales approach arose from two conclusions uncovered by marketing research and re-evaluation of our customers and products. First, our longstanding customers have a high level of education and life experience, and they regard our products on a par with other fine collectibles and *object d'art* in their homes and offices. Second, our newer customers--many of them women and younger buyers--purchase coins and coin products as gifts. These customers appreciate the two centuries of quality and craftsmanship that imbue our products, attributes that encourage us to extend our product lines into jewelry, timepieces, and personal accessories. In a difficult year for retailers and mail order catalogues, our 1995 catalogue sales matched last year's sales and halted a two-year decline in annual catalogue sales. Those results, combined with sales successes of Civil War money clips, MintTime™ watches and clocks, and American Eagle women's jewelry, indicate we are on the mark with our upscale catalogue format and our product extension strategy.

International sales of our numismatic and bullion coins in 1995 reached an all-time high of $34.3 million. Domestic sales of $357 million were $85 million higher than 1994.

The American Eagle Program

We also look for 1996 to initiate a new era of profitable cooperation with collectors, distributors, and dealers of our American Eagle bullion and proof coins. We've communicated with bullion dealers in many ways over 10 years of Eagle sales, but at our first Director's Conference of bullion coin distributors in December 1995 we redoubled our commitment to them by pledging to expedite deliveries, to provide more advertising support for bullion coins, and to clarify promotional criteria for joint marketing ventures.

Within weeks of that conference we proved our intent to be the world's most distributor-friendly provider of bullion coins. We promised dealers we would fill bullion Eagle orders placed on December 27, 28, and 29 with 1996-dated coins, a departure from customary practice of filling year-end orders with Eagles produced in the preceding and current years. The result: one of the largest single day's purchases of gold and silver bullion coins since Eagle sales began in 1986. Authorized bullion purchasers ordered approximately $12.1 million--30,000 ounces--of Gold

American Eagles

	Coins or Sets Sold	
	Fiscal '95	Total Program*
1994 Proof Gold Eagles		
Ounce	10,624	11,055
Half-Ounce	8,608	8,965
Quarter-Ounce	12,093	12,553
Tenth-Ounce	26,170	27,230
1994 Proof Silver Eagles	349,598	372,168
1994 Four-Coin Set	34,349	35,619
Gold Bullion (Uncirculated) Eagles		
Ounce	223,520	223,520
Half-Ounce	69,009	69,009
Quarter-Ounce	66,015	66,015
Tenth-Ounce	217,506	217,506
1995 Silver (Uncirculated) Eagles	5,065,500	5,065,500
1995 Proof Gold Eagles		
Ounce	5,269	7,483
Half-Ounce	4,697	6,468
Quarter-Ounce	5,795	8,461
Tenth-Ounce	15,694	23,192
1995 Proof Silver Eagles**	293,576	369,755
1995 Four-Coin Set	7,109	8,592
1995 10th Anniversary Set	21,782	28,396

* Final program sales or 12/31/95 for ongoing programs

** Philadelphia Mint mark only. Excludes West Point Silver Eagle

A MINT FIRST

1995's Kennedy Set is the only brother-sister coin combination in U.S. history. It contains a John F. Kennedy half-dollar and a Special Olympics Silver Dollar with the profile of Eunice Kennedy Shriver, founder of Special Olympics and first living woman on a U.S. commemorative coin.

Eagles and $8.9 million--1.4 million ounces--of Silver Eagles.

Fiscal 1995 sales of bullion Eagles reconfirmed the turnaround we initiated in 1994, a fact we are very pleased to report, given lackluster gold prices worldwide during much of the period. Gold Eagle sales of 296,000 ounces were up 7.5 percent, led by robust European purchases and inroads into markets in Southeast Asia and Japan. Sales of Silver Eagles were even stronger, up 33.3 percent compared to the previous fiscal year. The world's best-selling silver bullion coin, the Silver Eagle broke through a noteworthy milestone during the year by surpassing 60 million ounces sold since 1986.

People buy American Eagle Bullion Coins largely as personal bullion reserves from private sector dealers in the U.S. and abroad--we do not sell direct to the public. By comparison, we do sell Gold and Silver Proof American Eagles directly, generally to numismatic collectors. Proof Eagles are the weight-bearer and money-maker among our products, and in fiscal 1995 we made several enhancements to serve Eagle

Recurring Programs

	Coins or Sets Sold	
	Fiscal '95	*Total Program**
1994 Five-Coin Proof Set	350,022	2,308,701
1995 Five-Coin Proof Set	1,842,026	1,958,679
1994 Five-Coin Silver Proof Set	68,529	785,329
1995 Five-Coin Silver Proof Set	589,417	654,214
1994 Ten-Coin Uncirculated Set	165,240	1,234,813
1995 Ten-Coin Uncirculated Set	935,342	1,018,038
Coin Awareness Program	209	1,323
Jewelry:		
Gold Eagle	10,576	10,576
Silver Eagle	14,544	14,544
Miscellaneous Jewelry	480	480

* Final program sales or 12/31/95 for ongoing programs

A MINT 1ST

We created an unprecedented number of new products (34) in 1995.

customers. Honoring their longstanding wish to have Proof Eagles available earlier in the year, we brought individual Eagles and a limited edition of our hallmark Four-Coin Eagle Proof Set to market in spring rather than late summer–and we kept Eagle prices unchanged for the sixth consecutive year. Also, 1995 marked the tenth year since Congress enacted the American Eagle, and we recognized customers for a decade of support by offering a limited edition Tenth Anniversary Five-Coin Eagle Proof Set including, at no extra charge, a Proof Eagle Silver Dollar minted in West Point.

Customers responded by propelling total revenues for 1995 Proof Eagles to $57,091,703 on 640,698 coins sold compared to total program revenues of $56,738,550 and 574,447 coins sold for the 1994 Proof Eagle program, increases that reveal the success of offering Eagles earlier in the year. Sales of 1995-dated Proof Gold Eagles remained largely unchanged over 1994--202,295 coins versus 202,279--but sales of 1995 Proof Silver Eagles increased to 408,293 from 372,168 for 1994. Not included in those figures are 30,110 Proof Silver Eagles with the West Point Mint mark available only in the 1995 Five-Coin Set. Customers purchased 8,752 of the limited-edition 1995 Four-Coin Sets and 30,110 of the limited-edition Five Coin Sets compared to 35,619 Four-Coin Sets for the 1994 program.

The American people and the U.S. economy benefit from sales of Bullion Eagles and Proof Eagles in several ways. Part of the profit from sales of all Gold Eagles goes toward reducing the national deficit, and Gold Eagles have contributed more than $193.5 million for that purpose since 1986. For another, since 1986 we have supported the U.S. mining industry by purchasing more than $2.9 billion of newly mined American gold for Bullion Gold Eagles. In addition, we purchase silver at market prices from national stock-

The Mint was a national news maker in the U.S. and abroad during 1995. In May we led the Clinton Administration's opposition to legislation mandating production of a dollar coin and eliminating the one dollar Federal Reserve note. Earlier, Philadelphia produced an unknown quantity of cents with overlapping images, and "the double die penny" dominated collectors' and the public's attention for weeks. Numismatic media hailed the double die cent -- caused by a rotating hub in the minting process --as the biggest inadvertent boost to coin collecting in recent history. Throughout the year, ever-widening international sales of Atlanta Olympic coins were accompanied by media coverage from Amman to Zürich.

A MINT 1ST

Congress reduced mintages on the 1995-96 Atlanta Centennial Olympic coin program, the only time it has legislated lower mintages after a coin program was enacted.

piles to produce Bullion and Proof Silver Eagles. The difference between the market price and the lower historical cost of the metal is a profit to the American people that's deposited in the Treasury. Our purchases of silver for Eagles have contributed more than $261.2 million to the Treasury since 1986.

Even greater prospects for precious metals coins lie ahead should the Senate pass House-approved legislation permitting us to produce platinum and .9999-fine gold coins in addition to .9167-fine Gold Eagles. International markets, especially, favor .9999-fine gold, and we could expand worldwide sales by meeting their preferences. Platinum coins enjoy a ready market in Japan and possibly the U.S. and would add handsomely to our jewelry and accessories lines. We're hopeful that the Senate will follow the House in approving this legislation.

Building the Hobby

Sales of our traditional numismatic products--Proof Sets, Silver Proof Sets in regular and premier versions, Prestige Sets, and Uncirculated Coin Sets--exceeded $53.9 million during fiscal 1995. Sales of these products have for several years reflected a decrease in the central population of collectors plus factors such as collectors' revived interest in older coins. We're working in several ways to reverse this trend. We've increased merchandising among premium and incentive customers and encouraged corporations, social organizations, and schools to use coins as incentives for employees and customers, as performance rewards, and as recognitions. We're creating innovative packaging and product enhancements, including options with our 1996 Uncirculated Set to celebrate the 50th anniversary of

The Congressional medal extolling the life and achievements of the late Rabbi Menachem Schneerson features an antiqued finish with incised and incused relief.

A MINT 1ST

Launched in 1995 as a major extension of our product line, Mint Time™ watches and clocks are made with circulating and commemorative coins.

the Roosevelt dime. And especially, we are expanding advertising to promote coins as elegant and unforgettable gifts on holidays, birthdays, anniversaries, christenings, retirements, and weddings.

We're applying these same market-building strategies to our commemorative and Eagle programs. For example, in 1995 we contracted for sizable bulk purchases for our Special Olympics and Women in Military Service Silver Dollars, created furniture quality presentation cases for our Olympic coins, and landed orders from several major corporations intending to give Proof Silver Eagles and Gold Eagles as awards to salespeople and thank-yous to customers.

To assure the future of our numismatic programs, we need to attract younger collectors and a broader range of Americans to numismatics, and we stepped up efforts toward that end during the year. We provided 38,000 copies of *The Money Story* educational video to elementary schools and coin groups in 1995. Further stirring interest in coins among schools and youngsters, we created a Deluxe Uncirculated Coin Set in packaging with thumbnail biographies and cameos of presidents portrayed on national coinage. We launched our Coin Awareness Program with the introduction of our African American Heroes Collection of medals honoring Colin Powell, Jesse Owens, Marian Anderson, Joe Louis, and Roy Wilkens. We continue to produce popular Young Collectors Editions of commemorative coins, and in catalogues and retail displays of 1995-96 Olympic coins we're offering coin combinations and packaging catering to young people's enthusiasm for Olympic heroes and athletics.

The Mint's marketing program is a dynamic, multi-million dollar undertaking with an impressive workload and ambitious agenda. As a mail order marketer, we processed 2.5 million orders and

The Gold Bullion Act of 1985 assigns part of the profits from American Eagle sales to deficit reduction. Gold Eagle sales have contributed more than $193.5 million toward reducing the national debt.

A MINT FIRST

As the first foreign mint ever to sell commemorative coins in the People's Republic of China, we participated in the world premier of the Beijing Coin and Stamp Exposition in 1995.

responded to 127,000 phone queries in fiscal 1995. We created more than 34 new products and 254 product options in 1995 and originated a minimal-package alternative for customers who want coins without presentation packaging. The results of our marketing department's efforts and innovation speak for themselves: in fiscal 1995 we posted record international sales of $34.3 million and domestic sales of $357 million, an $85 million increase over fiscal 1994.

Holding the Fort

Safeguarding assets is a priority with our sister federal agencies; for the United States Mint, it is a cardinal mission. The market value of gold and silver in our custody exceeds $95 billion. Put another way, the assets we protected *every day* of 1995 were greater than the *annual profits* of the 75 largest Fortune 500 Corporations *combined.*

The United States Mint protects 147.2 million fine troy ounces of the American people's gold within the U.S. Bullion Depository at Fort Knox, and our production facilities guard 100 million troy ounces of gold and silver.

Further, we are responsible for the security of approximately $1 billion in circulating coins that we manufacture yearly and ship almost daily to Federal Reserve Banks and Branches. We also process $391 million in payments from interna-

Philadelphia Mint police Lisa Dabner and Stanley Szelagawski process a palette of cents bound for the Federal Reserve System. The palette contains $76,000 in pennies.

A MINT 1ST

We filled all American Eagle orders in the final days of 1995 with 1996-dated coins, the only time the Mint has promised to fill year-end orders entirely with Eagles produced the next year.

tional and domestic customers and ship $276 million worth of commemorative, bullion, and numismatic products worldwide.

Staff Additions, Partnership, and Strategic Planning

The achievements we've made and the strategic plan we follow take experienced leadership, and we were fortunate during fiscal 1995 to have added veteran executives in critical areas. We welcome John Mitchell as Deputy Director of the Mint, David Pickens as Associate Director for Marketing, Jay Weinstein as Associate Director for Policy & Management and the Mint's first Chief Financial Officer, Terry Bowie as Deputy Chief Financial Officer, Kerry W. Allen as Assistant Director for Production, Jackie Fletcher as Assistant Director for Automated Information Systems, and Larry Brock as Assistant Director of Human Resources.

In 1994 we undertook the Mint's first comprehensive strategic plan to define our business, outline needed improvements, set standards for measurement, and motivate employees for ownership of results. In 1995 we refined and codified our business goals and set standards for measuring progress. And most important, we acted on what we discovered. We've solidified our understanding of customers' needs and perceptions and established baselines for comparing ourselves to best-in-business practices. Organizational assessment surveys show that we have a ways to go in assuring employees' full ownership of our plans, but greater employee involvement already is paying dividends, particularly in building acceptance of the plan, appointing Mintwide and local advocates, and affixing responsibility across the organization.

The Mint buys gold and silver for commemorative and silver bullion coins from national stockpiles. Our purchases have contributed nearly $1 billion to the American people since 1982.

We were the first Treasury bureau to sign a Partnership accord with its union in 1994, and our continuing progress in promoting

A MINT 1ST

The Mint now has its first chief financial officer.

Partnership among managers and workers has drawn national attention. President Clinton's National Partnership Council held its September 1995 meeting at the San Francisco Mint in recognition of our Mintwide Partnership progress, and in February 1996 the Council presented the Denver Mint one of four nationwide Partnership awards, noting the facility's dramatic reduction in filings of formal complaints, its improved operating efficiencies, and millions of dollars in cost savings. At a Washington, D.C., ceremony Vice President Al Gore presented the award to Denver Mint Superintendent Raymond (Jack) DeBroekert and Greg Wikberg, President of the National Mint Council and Local 695 of the American Federation of Government Employees, representing 320 organized workers at the Denver Mint.

1995 Support of U.S. Industry

Besides producing $1 billion in coinage for the American people in fiscal 1995, the U.S. Mint...

- purchased 411,596 ounces of newly mined American gold for $156.4 million
- paid $101 million in salary & benefits to 2,200 employees in six states and Washington, D.C.
- signed $91 million in contracts with fabricators of raw materials
- acquired 7 million ounces of stockpiled American silver for $26 million
- commissioned more than $14 million in services from accountants, advertising agencies, designers, printers, and shipping firms

Many notable 1995 achievements arose directly from implementing strategic planning priorities put forth in 1994. Acting on our priority to get closer to customers, we learned they want faster access to information and speedier processing of payments. So we installed voice response technology at our Lanham, MD, customer service center, acquired a toll-free telephone line--800-USA-MINT--and pulled onto the information superhighway by placing our Holiday Gift Catalogue on the World Wide Web, an early entry into computerized marketing. In pursuing our priority to foster a rewarding work environment, we learned that employees want better defined career paths and that managers want more supervisory skills training. We now are

Our 1995 Holiday Gift Catalogue and Gift Collection Catalogue were the first we've ever published that specifically emphasize coins as gifts.

devising individual development plans for our employees and building internal resources to provide supervisor training.

To promote employees' participation in business and operating improvements, supervisors now have authority to issue on-the-spot cash awards for exceptional performance in satisfying internal and external customers. Early in 1996 we will complete the final stage of our strategic plan by analyzing our competitive strengths, weaknesses, opportunities, and threats. We then will formally align our plan with guidelines from the Office of Management and Budget and move forward with our first comprehensive, fully consolidated operating blueprint that will guide us into the next century.

Going Forward

The old proverb says "A journey of a thousand miles begins with a single step." But in 1995 the U.S. Mint wasn't content merely to walk--we came out of the blocks running. Now our challenge is to hit a firm, steady stride of continued progress. Much remains to be done.

In conjunction with already-planned capital investment in production and telecommunications equipment, we need to upgrade our management information and control systems. The network now in place is not adequate to monitor our growing number of products and our expansion into retail distribution channels. Upgrading the system is one of our most pressing priorities and will require a comprehensive review of information requirements, an assessment of our weaknesses, and a long-term

Mint products tailored to build a younger and more diverse customer base include Young Collectors Editions of Olympic Coins, the African American Heroes Set, and a Deluxe Uncirculated Set with cameos of presidents on the nation's coinage.

A MINT 1ST

The Mint now sells commemorative coins on all 7 continents.

Special Olympics International Chairman the Hon. Sargent Shriver, journalist Maria Shriver, Mint Director Philip N. Diehl, Special Olympics founder Eunice Kennedy Shriver, Maryland State Delegate the Hon. Mark K. Shriver, Philadelphia Mint Assayer John McGraw, and actor Arnold Schwartzenegger celebrate the striking of the first Special Olympics Silver Dollar.

Vice President Al Gore presents a National Partnership Award to members of the Denver Mint's Partnership Council. Accepting are Acting Denver Mint Superintendent Jack DeBroekert and Greg Wikberg, President of the National Mint Council and Local 695 of the American Federation of Government Employees.

investment in hardware and personnel training.

Continued reduction in production costs for circulating, commemorative, and bullion coins is another item high on our agenda. Major opportunities for cost reduction will come from replacing 1960s and 1970s vintage capital equipment and exercising our new latitude in procurement policies. We have begun already to benchmark our production, distribution, and marketing costs against our most capable competitors to discover where the best businesses are achieving their efficiencies.

In addition, we need to communicate better with our customers and among ourselves, and we've made improved communication a major goal for 1996. We've moved fast and far over the past two years, and we need to go further in keeping customers, suppliers, and employees informed about that progress and their important role in keeping us on track.

As you see, 1995 brought great advances and many changes to the Mint. During the year past, we worked harder, worked faster, and worked smarter. We're proud of our achievements and dedicated to those that lie ahead. We know what we're capable of doing. And we know the best is yet to come.

Facilities and Functions

San Francisco Mint
San Francisco, California

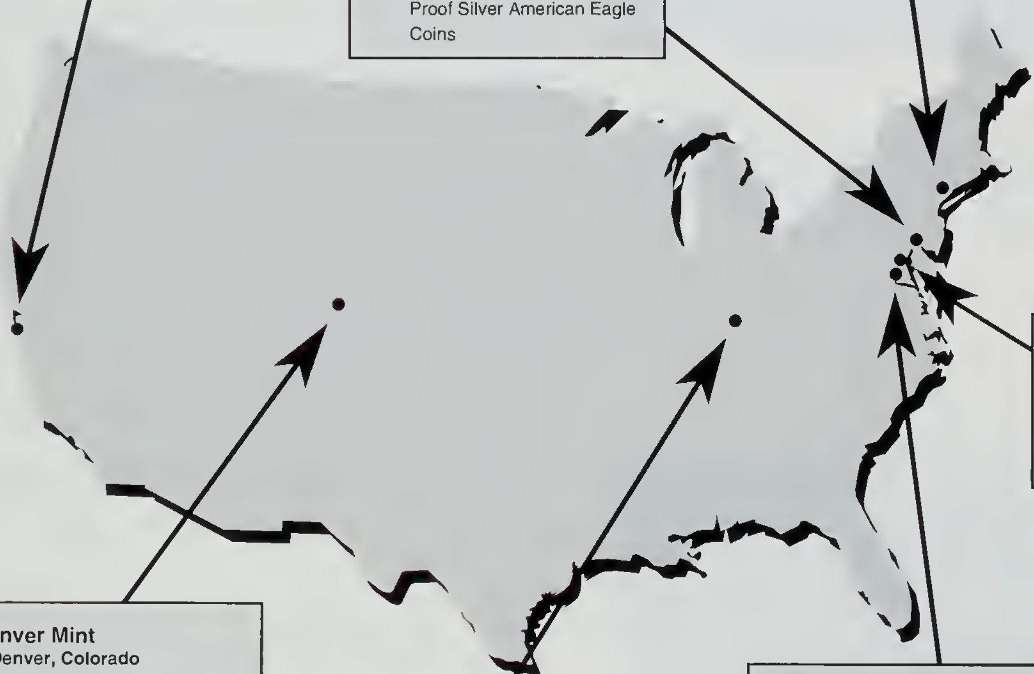
- Manufactures and Packages Regular and Silver Proof Coin Sets
- Manufactures and Packages Uncirculated Silver Bullion Coins
- Packages and Ships Prestige Proof Sets
- Manufactures, Packages, and Ships Commemorative Coins
- Houses Mint Data Center
- Stores Silver Bullion

Philadelphia Mint
Philadelphia, Pennsylvania

- Performs All Engraving for U.S. Coins/Medals
- Manufactures All Coinage/Medal Dies
- Manufactures Coins of All Denominations for General Circulation
- Manufactures Miniature and Multi-Strike Medals
- Manufactures, Packages, and Ships Regular Uncirculated Coin Sets
- Processes Mutilated Coins
- Manufactures, Packages, and Ships Commemorative Coins
- Manufactures and Packages Proof Silver American Eagle Coins

West Point Mint
West Point, New York

- Manufactures and Packages Uncirculated Silver Bullion
- Manufactures and Packages All Sizes of Uncirculated Gold Coins
- Manufactures and Packages All Sizes of Proof Gold Bullion Coins
- Stores Gold and Silver Bullion
- Manufactures, Packages, and Ships Commemorative Coins
- Packages Four-Coin Gold Bullion Proof Sets



Customer Service Center
Lanham, Maryland

- Processes Orders
- Provides Customer Service

Denver Mint
Denver, Colorado

- Manufactures Coins of All Denominations for General Circulation
- Manufactures Miniature Medals
- Manufactures and Packages Regular Uncirculated Coin Sets
- Stores Gold and Silver Bullion
- Manufactures and Packages Commemorative Coins

Fort Knox
Fort Knox, Kentucky

- Protects Gold Bullion and Assets of Other Agencies

Headquarters
Washington, D.C.

- Formulates Policy
- Manages Programs
- Provides Administrative Guidance
- Conducts Research and Development
- Conducts Marketing Operation
- Provides ADP Operations

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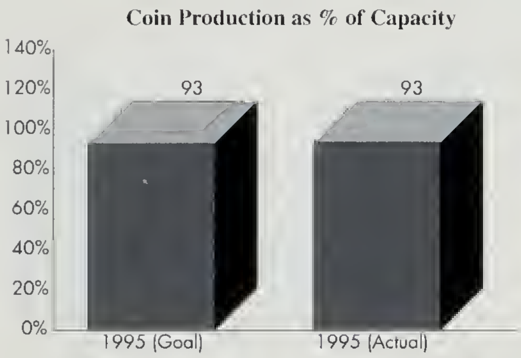
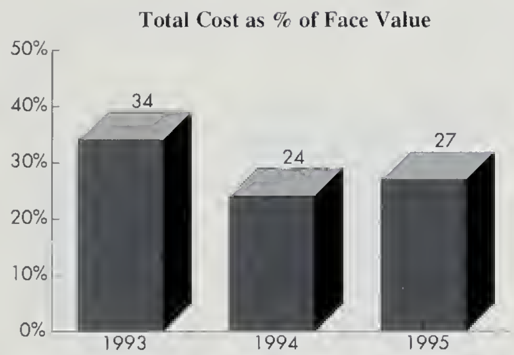
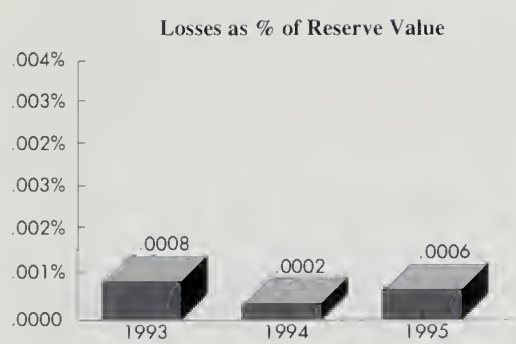
MANAGEMENT DISCUSSION & ANALYSIS

The Mint's 1995 performance plan submitted to the Office of Management and Budget identifies specific goals and performance measures that gauge success in meeting each of our three missions.







The Mint's primary goal in circulating coinage operations is to meet Federal Reserve System requirements for the nation's coinage at the lowest production cost. Four performance measures indicate the Mint's success in fulfilling this mission: coin production as a percentage of budget, coin production as a percentage of capacity, production cost as a percentage of face value, and coin inventory as a percentage of demand.

The Mint and the Federal Reserve employ economic models to anticipate coin demand 18 months ahead of actual production. Even so, changing economic conditions will create unforeseen demand for circulating coinage. The Mint and the Federal Reserve System accommodate surges in demand by drawing coinage from inventory reserves.

During fiscal 1995 the Mint met previously identified production targets, as shown by the comparison of coin production as a percentage of budget. However, continued economic strength brought unforeseen coin demand that required tapping inventory reserves, as indicated by a decline in actual versus planned inventories as a percentage of demand. The Mint stepped up manufacturing operations to meet demand and to help replenish reserves. These actions brought about slight increases in coin production as a percent of capacity and decreases in planned versus actual inventory as a percent of demand.

Each denomination of circulating coin entails a different production cost, so changes in the mix of coins produced alters the ratio of cost as a percent of face value. In fiscal 1995 the Mint produced more of each denomination except cents, thereby producing significantly lower actual versus budgeted cost as a percentage of face value.

With respect to numismatic and investment products, the Mint's performance goals are to maximize sales and minimize returns and production costs. Three measures assess the effectiveness in reaching these goals: sales as a percentage of prior year's sales, profit and surcharges as a percent of sales, and returns as a percent of sales.

Fiscal 1995 sales exceeded 1994, but profit and surcharge as a percent of sales declined. The most likely explanation is that American Eagle sales increased relative to other programs. Prices of Bullion Eagles--the per-ounce price of gold or silver plus a small mark-up--entail lower profit margins, and neither Proof nor Bullion Eagles bear surcharges.

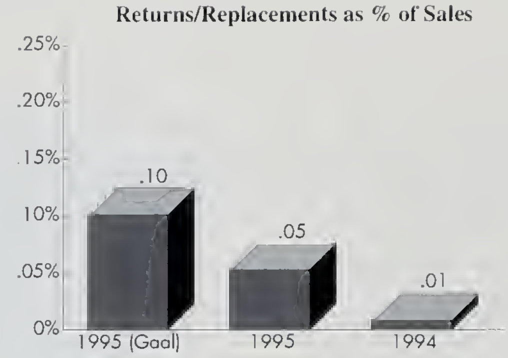
The Mint's performance goals for safeguarding reserves are to maintain losses at a minimum percentage of stock values and to provide adequate asset security at least cost. Reserve losses remain minuscule, demonstrating the Mint's exceptional performance in guarding assets. In addition, the Mint continues to protect these assets with minimal resources, as demonstrated by the stable ratio of cost as a percentage of custodial reserves.

FMFIA Reporting & Accomplishments

For the sixth consecutive year, the Mint's review of internal controls and financial management systems as required by the Federal Managers' Financial Integrity Act (FMFIA) revealed no weaknesses in internal controls (Section 2 of the FMFIA). However, the review did identify one new non-conformance in financial management systems (Section 4), bringing the number of open items to five at the close of fiscal 1995.

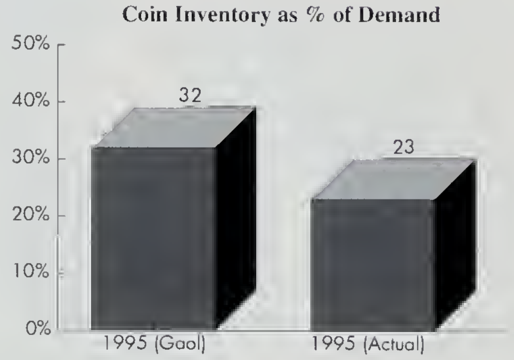
- The Mint's financial structure contains an excessive number of funds.
- Financial systems are not adequate for Mint operations.
- Procedures for consolidating financial statements are not documented.
- Methods of accounting for inventory close-out costs and cost of goods sold require correction.
- Accounting for non-precious metals in the Coinage Metal/Bullion Fund should be improved and included in the Mint's integrated management information system.

Returns/Replacements as % of Sales

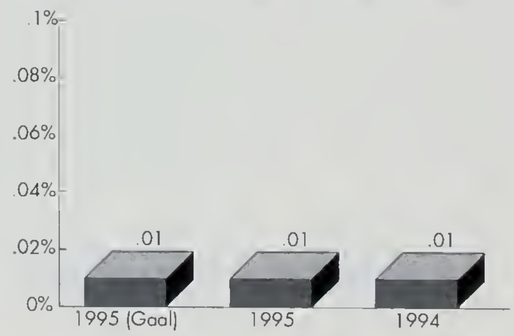


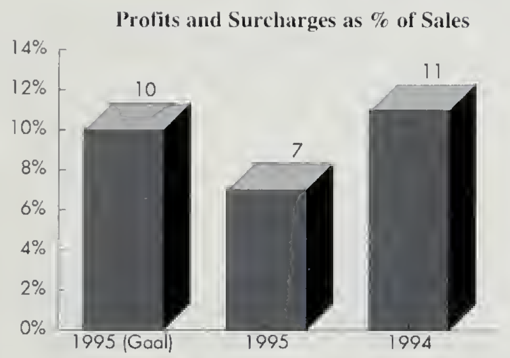
Coin Production as % of Budget

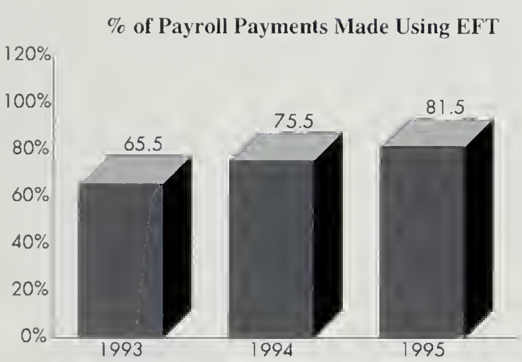
Coin Inventory as % of Demand



Protection Cost as % of Reserve Value







The first Section 4 item was resolved after the close of fiscal 1995 with passage of the fiscal 1996 Treasury appropriation, which created a single revolving fund for Mint operations. The single fund replaces the Mint's multi-fund structure and permits streamlined financial operations and systems.

The Mint made significant progress toward resolving remaining deficiencies by:

• Developing a statement of work for a contractor to analyze system requirements for the Mint's informational needs and to recommend software and hardware. Following the analysis and recommendations, the Mint will implement a new integrated Mint-wide information system that encompasses manufacturing, marketing, and financial requirements.

• Developing written procedures for consolidating financial statements based on systems in use at the Mint. The Mint also is reviewing software applications that will enable the Mint to automate the process.

• Closing old metal fabrication contracts and developing procedures for closing future contracts on a timely basis. This will enable the Mint to assure that only current fabrication costs are included in average fabrication cost computations.

• Developing procedures to account for non-precious metals within the Coinage Metal/Bullion Fund. The Mint will complete implementation of these procedures early in fiscal 1996.

The United States Mint is required to prepare audited annual financial statements based on two legislative authorities: The Chief Financial Officers (CFO) Act of 1990 (Public Law 101-576) and the United States Mint Reauthorization and Reform Act of 1992 (Public Law 102-390). This Consolidated United States Mint Fiscal Year 1995 Annual Financial Report is intended to fulfill these legislative requirements.

Financial statements and related footnotes covering all Mint operations (circulating coinage, numismatic operations, and custodial gold and silver reserves) are included to meet the requirements of the CFO Act of 1990. Financial statements and related footnotes covering the Numismatic Public Enterprise Fund activities (numismatic, commemorative, and bullion coin operations) are intended to meet the requirements of the United States Mint Reauthorization and

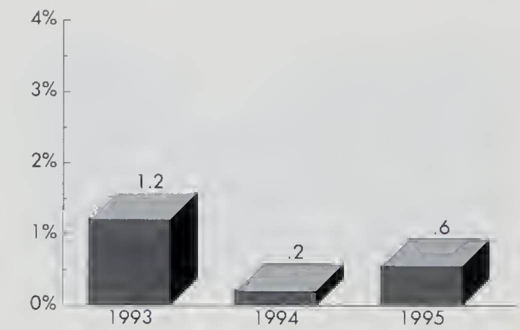
Reform Act of 1992.

Narrative information highlighting key initiatives, program performance, and internal control accomplishments relate to the requirements of both legislative sources. Sales and surcharge information in the overview is based on total orders processed by the Mint during FY 1995.

Opinions on both sets of financial statements and related footnotes were rendered by an independent public accountant and are included in this report.

% of Invoices Incurring Interest Penalty

% of Accounts Receivable Written Off



Reports of Independent Accountants

UK &W Urbach Kahn & Werlin PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

UNITED STATES DEPARTMENT OF THE TREASURY
Office of Inspector General

We have audited the accompanying consolidated statement of financial position of the United States Mint (Mint), a bureau of the Department of the Treasury, as of September 30, 1995, and the related consolidated statements of operations and changes in net position, and cash flows for the fiscal year then ended. These financial statements are the responsibility of the Mint's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the United States' gold and silver reserves (Custodial Gold and Silver Reserves) for which the Mint serves as custodian. These reserves were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to these reserves, is based solely on the report of the other auditors. The financial statements of the Mint as of September 30, 1994 and the fiscal year then ended were audited by other auditors whose report dated April 11, 1995 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget Bulletin 93-06, *Audit Requirements for Federal Financial Statements*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the 1995 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Mint as of September 30, 1995, the results of its operations, the changes in its net position, and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 28, 1996 on our consideration of the Mint's internal control structure and a report dated March 28, 1996 on its compliance with laws and regulations.

Urbach Kahn & Werlin PC

Washington, DC
March 28, 1996

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE

UNITED STATES DEPARTMENT OF THE TREASURY
Office of Inspector General

We have audited the consolidated financial statements of the United States Mint (Mint), a bureau of the Department of Treasury, as of and for the year ended September 30, 1995, and have issued our report thereon dated March 28, 1996. The United States' gold and silver reserves, for which the Mint serves as custodian, were audited by other auditors.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget Bulletin 93-06, *Audit Requirements for Federal Financial Statements.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Mint is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Mint for the year ended September 30, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the Mint's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. In this connection, we noted the following reportable condition:

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE, CONTINUED

Account reconciliation procedures need improvements: There were a number of year-end account balances which were not supported by detailed reconciliations and supporting schedules and required extensive analysis and adjustment by the Mint. Historically, the Mint has relied on the accuracy of monthly account activity and ending general ledger balances to support the trial balance totals. The individual and headquarter locations did not review the detail comprising the ending account balances to ensure propriety and accuracy.

We recommend the Mint implement a policy which requires all Mint locations to review and reconcile all account reconciliations to supporting detailed schedules and subledgers.

A material weakness is a reportable condition in which the design or operation of one or more internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of the Mint for the year ended September 30, 1995.

EDP SYSTEM IMPROVEMENTS REQUIRED

Systems integration project needs to be prioritized: The Mint's financial management system is currently comprised of diverse mainframe, manual and PC based systems. This structure is not integrated and does not provide management with useful, timely information. It also cannot be used to generate consolidated financial information, thus management may be precluded from effectively measuring operating goals and monitoring progress in achieving them. Historically, development of a detailed action plan and achieving full integration of the financial management system has been cumbersome and delayed. The Mint is aware of these findings and has initiated efforts to redefine system requirements and fully integrate all systems (Information Systems Assessment Project). In addition, during fiscal year 1995, management instituted comprehensive changes to the EDP planning processes which should result in improved system integration.

We recommend the Mint establish a detailed action plan for the financial management system, outlining progress in achieving defined goals according to clearly delineated time frames. The action plan should be updated monthly and effectively communicated. We further recommend the Mint incorporate critical external dates (including software release dates, planning for year 2000 modifications, etc.) into long-range planning efforts.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE, CONTINUED

EXISTING FUND STRUCTURE NEEDS IMPROVEMENT

For all of fiscal 1995, the Mint's operations were divided among seven funds including two revolving funds, four appropriations, and one reimbursable spending authority. This fund structure resulted in incomplete cost reporting and weakened internal controls.

On November 19, 1995, the President of the United States signed legislation establishing the Mint as a single, revolving fund. Accordingly, the Mint now has the authority to consolidate its funds, and we recommend management implement this consolidation as promptly as possible.

The 1994 report on internal control structure dated April 11, 1995, by other auditors, also identified the last two items as material weaknesses.

We also noted other matters involving the internal control structure and its operation which have been reported to the management of the Mint in a separate letter dated March 28, 1996.

This report is intended for the information of the Office of Inspector General of the United States Department of Treasury and the management of the Mint. However, this report is a matter of public record and its distribution is not limited.

URBACH KAHN & WERLIN PC

Washington, DC
March 28, 1996

UK &W Urbach Kahn & Werlin PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

UNITED STATES DEPARTMENT OF THE TREASURY
Office of Inspector General

We have audited the consolidated financial statements of the United States Mint (Mint), a bureau of the Department of Treasury, as of and for the year ended September 30, 1995, and have issued our report thereon dated March 28, 1996. The United States' gold and silver reserves, for which the Mint serves as custodian, were audited by other auditors.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget Bulletin 93-06, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws and regulations applicable to the Mint is the responsibility of the Mint's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Mint's compliance with certain provisions of applicable laws and regulations. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Except as indicated in the following paragraph, the results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

The Mint's financial management system does not meet the requirements of the Federal Managers' Financial Integrity Act. Section 4 of the Federal Managers' Financial Integrity Act (FMFIA) requires the Mint to issue an annual report on whether the Mint's accounting system conforms to the principles, standards, and related requirements prescribed by the Comptroller General of the United States. In its FMFIA report dated October 31, 1995, the Mint reported five material non-conformances of its financial management system. In this connection, the Mint concluded that management controls, taken as a whole, did not provide full assurance the objectives of Section 4 of FMFIA were achieved during fiscal year 1995. The weaknesses, which caused these non-conformance findings, are discussed further in our accompanying internal control report dated March 28, 1996. We concur with the Mint's conclusion that its financial management system does not comply with Section 4 of the FMFIA.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS, CONTINUED

We considered these instances of noncompliance in forming our opinion on whether the Mint's financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated March 28, 1996, on those financial statements.

This report is intended for the information of the Office of Inspector General of the United States Department of Treasury and the management of the Mint. However, this report is a matter of public record and its distribution is not limited.

URBACH KAHN & WERLIN PC

Washington, DC
March 28, 1996

UK
&W

DEPARTMENT OF THE TREASURY
U.S. MINT
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(IN THOUSANDS)

	September 30, 1995	September 30, 1994
MANUFACTURING ASSETS:		
Fund balances with Treasury (Note 2)	$92,465	$96,164
Accounts receivable (Note 3)	1,201	799
Operating inventories, net (Note 4)	184,952	196,476
Deferred costs, advances and prepayments (Note 5)	10,261	8,733
Property, plant and equipment, net (Note 6)	78,056	71,897
Other assets	237	- 0 -
Total manufacturing assets	$367,172	$374,069
MANUFACTURING LIABILITIES:		
Liabilities covered by budgetary resources		
Accounts payable - federal (Note 4)	$102,064	$114,371
Accounts payable - non-federal	15,406	10,990
Surcharges payable	6,027	10,722
Unearned revenue	14,127	6,347
Accrued salaries and benefits	4,081	4,109
Accrued workers' compensation benefits, numismatic program (Note 1)	14,636	15,048
Accrued annual leave, numismatic program	3,416	3,421
Other liabilities	812	422
Total funded liabilities	160,569	165,430
Liabilities not covered by budgetary resources		
Accrued workers' compensation benefits, circulating coinage program (Note 1)	9,694	9,223
Accrued annual leave, circulating coinage program	2,213	2,170
Total unfunded liabilities	11,907	11,393
Circulating coinage held for Treasury (Note 4)	87,343	79,221
Total manufacturing liabilities	$259,819	$256,044
MANUFACTURING NET POSITION		
Fund balances (Note 9)	107,353	118,025
Total manufacturing liabilities and net position	$367,172	$374,069
CUSTODIAL GOLD AND SILVER RESERVES		
United States' gold and silver reserves (Note 10)	$10,474,569	$10,462,844
Custodial liability to Treasury (Note 10)	10,474,569	10,462,844
Net custodial position	$0	$0

The accompanying notes are an integral part of these statements.

DEPARTMENT OF THE TREASURY
U.S. MINT
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET POSITION
(IN THOUSANDS)

	Year Ended September 30, 1995	1994
Revenues and financing sources		
Expended financing, circulating coinage program:		
Treasury metals used in production (Note 1)	$202,221	$163,424
Appropriations used for coin production	67,038	60,970
Numismatic program sales	385,350	340,854
Other revenues and financing sources	203	931
Less: Surcharges collected for beneficiary organizations (Note 13)	(22,453)	(26,513)
Total revenues and financing sources	632,359	539,666
Costs and expenses		
Circulating coinage program (Note 11)	269,259	224,394
Numismatic programs (Note 11)	358,159	304,974
Other costs and expenses	203	931
Total costs and expenses	627,621	530,299
Excess of revenues and financing sources over total costs and expenses	4,738	9,367
Net position, beginning of year	118,025	118,839
Non-operating changes (Note 12)	(5,410)	(181)
Funds transferred to Treasury (Note 1)	(10,000)	(10,000)
Net position, end of year	$107,353	$118,025

The accompanying notes are an integral part of these statements.

DEPARTMENT OF THE TREASURY
U.S. MINT
CONSOLIDATED STATEMENT OF CASH FLOWS
(IN THOUSANDS)

	Year Ended September 30, 1995	1994
Cash flows from operating activities:		
Excess of revenues and financing sources over total expenses	$4,738	$9,367
Adjustments affecting cash flows:		
Appropriations expensed	(67,038)	(60,970)
Decrease (increase) in accounts receivable	(402)	83
Decrease (increase) in other assets	9,759	(18,809)
Decrease in accounts payable	(7,891)	(30,559)
increase (decrease) in other liabilities	11,152	(5,729)
Depreciation and amortization	265	1,737
Other unfunded expenses	513	77
Total adjustments	(53,642)	(114,170)
Net cash used by operating activities	(48,904)	(104,803)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(6,424)	(3,457)
Net cash used by investing activities	(6,424)	(3,457)
Cash flows from financing activities:		
Appropriation (current warrants)	62,929	61,646
Deduct: Withdrawals	(1,300)	(868)
Deduct: Funds transferred to Treasury	(10,000)	(10,000)
Net cash provided by financing activities	51,629	50,778
Net cash used by operating, investing and financing activities	(3,699)	(57,482)
Fund balances with Treasury at beginning of year	96,164	153,646
Fund balances with Treasury at end of year	$92,465	$96,164

The accompanying notes are an integral part of these statements.

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
NOTES TO THE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1995

(Dollars in thousands except Fine Troy Ounce information)

Note 1 Summary of Significant Accounting Policies

A. Basis of Presentation

These financial statements have been prepared to report the financial position, results of operations, cash flows, and budget and actual expenses of the U.S. Mint (the Mint), a bureau of the Department of the Treasury (Treasury). The statements have been prepared from the books and records of the Mint in accordance with generally accepted accounting principles with presentations and disclosures required for federal entities under the Office of Management and Budget (OMB) Bulletin 94-01, Form and Content of Agency Financial Statements. These statements are therefore different from the financial reports, also prepared by the Mint pursuant to OMB directives, that are used to monitor and control the Mint's use of budgetary resources.

B. Reporting Entity

The Mint, established in 1792, is an integral part of the Treasury. The mission of the Mint is to manufacture coins for general circulation. In addition to manufacturing circulating coins, the Mint manufactures numismatic products, which include medals, proof coins, uncirculated coins, gold and silver bullion coins, and commemorative coins. These manufacturing operations are reported in the manufacturing segment of the Mint's consolidated financial statements. Additionally, the Mint is a custodian of the United States' gold and silver metal reserves. These reserves are reported as custodial gold and silver reserves.

The manufacture of numismatic products is a self-sustaining activity of the Mint, financed principally through sales to the public. The Mint accounts for the production and sale of numismatic products through the Numismatic Public Enterprise Fund, which was established at the beginning of fiscal year 1993 pursuant to the United States Mint Reauthorization and Reform Act of 1992. Financing for most other Mint operations is obtained through budget appropriations.

The Mint's activities are funded by the following:

- Salaries and Expenses Appropriation (S&E) - An annual appropriation is received to pay Mint salaries and operating expenses for the production of circulating coins (exclusive of the purchase of metals) and the protection of the Government's gold and silver reserves. No-year appropriations are also received to finance research and development, expansion and improvement and new construction efforts at Mint facilities.

- Salaries and Expense Reimbursable Authority - The Mint receives spending authority for expenses incurred in providing services, principally security services, to other agencies on a reimbursable basis.

- Numismatic Public Enterprise Fund (PEF) - This fund, established effective October 1, 1992, is used to account for all revenues and expenses related to the production and sale of numismatic products. Excess profits, as determined by the Secretary of the Treasury, resulting from numismatic programs are deposited into the General Fund of the Treasury.

- Treasury's Coinage Metal/Bullion Fund (CM/BF) - This fund is used to account for and to purchase Treasury's metals used in both circulating and numismatic coin production, as well as to pay for related fabrication and transportation-in costs. These costs remain on the books of the CM/BF until products are shipped to the Federal Reserve, for circulating coinage, or customers, for numismatic products. The CM/BF is reimbursed by the PEF for costs related to numismatic products. The United States' gold and silver reserves are also on the books of the CM/BF.

- Coinage Profit Fund - This fund is used to pay for the transportation of circulating coinage between Mint production facilities and Federal Reserve banks. These costs are funded through reimbursements from the Treasury.

The consolidated financial statements of the Mint include the accounts of the above Funds.

C. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in addition to recognizing certain budgetary transactions. Under the accrual basis, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. This basis conforms with private sector generally accepted accounting principles. In addition, transactions related to the Salaries and Expenses appropriation and the manufacture of commemorative coins, numismatic products, and investment products are recorded on a budgetary basis to ensure compliance with legal constraints and control over the use of Federal funds. All significant intrafund balances and transactions have been eliminated.

D. Revenues and Other Financing Sources

Appropriations: The Mint receives appropriations on both an annual and no-year basis. Appropriations are recognized as a financing source in the statement of operations as related program expenses are incurred.

Metals Used in Production: Costs of the CM/BF related to purchases of metals and fabrication and transportation-in costs for circulating coinage production are borne by the Treasury, without reimbursement from the Mint. However, to show the full cost of the Mint's circulating coinage operations, these costs are included in the Mint's consolidated financial statements. An offsetting financing source is also recognized in the Mint's statements in an amount equal to these costs.

Transportation Costs: Costs incurred in the transport of circulating coinage between Mint production facilities and Federal Reserve banks are financed through reimbursements from Treasury. These reimbursements are also recognized as a financing source in the Mint's statements.

Numismatic Sales: Legislation authorizing production of commemorative coins and other numismatic products requires that full payment (from non-government customers) be received in advance of shipment. These payments are initially recorded as unearned revenue. Revenue is recognized as earned based on product shipments to customers during the year.

Other Revenues and Financing Services: These are amounts received principally from security services provided by the Mint for other agencies.

E. Fund Balances with Treasury

With the exception of an imprest fund at each Mint facility, cash is maintained at the Treasury. These funds at Treasury include unexpended appropriations and the cash balance of the PEF. The Mint has disbursement authority for the CM/BF, but the actual disbursements are recorded in the Treasury's accounts, not the Mint's.

F. Accounts Receivable

Pursuant to legislation authorizing production of commemorative coins and other numismatic products, the Mint does not ship products to non-government customers until full payment is received.

The PEF's accounts receivable consist primarily of amounts due from Eastern National Park and Monument Association, a not-for-profit organization responsible for the Philadelphia Mint's sales area. An allowance for uncollectible accounts receivable is not established because historical accounts receivable loss experience does not warrant the establishment of an allowance.

G. Operating Inventories

Inventories of circulating coinage and numismatic products are valued at the lower of average cost or market value. Absent historical cost records to determine the acquisition cost of the gold and silver over the decades, the statutory rates of $42.2222 per fine troy ounce (FTO) of gold and $1.292929292 per FTO of silver are used. An exception is for gold used in the American Eagle Proof Program; gold used in this program is purchased on the open market, thus actual costs are used.

Metals, fabrication, and transportation-in costs are paid with funds of the CM/BF. "Transportation-in costs" refer to the shipment of precious and non-precious virgin metal, bars, blanks, or coils between Mint facilities and between Mint facilities and metal fabricators. All CM/BF inventories and costs have been included in the Mint's financial statements to fully show the Mint's circulating coinage and numismatic operations. The CM/BF is reimbursed by the PEF for metals, fabrication, and transportation-in costs related to production of numismatic products. Amounts to be reimbursed to the CM/BF for these inventory costs are recorded in Accounts Payable - federal.

Metals, fabrication, and transportation-in costs related to circulating coinage production are not reimbursed to the CM/BF by the Mint. An offsetting liability, Circulating Coinage Held for Treasury, is reported in an amount equal to these costs. Both the inventory and liability accounts are relieved as shipments are made to the Federal Reserve Banks.

H. Deferred Costs, Advances and Prepayments

Payments in advance of the receipt of goods and services are recorded as prepaid expenses at the time of prepayment and are expensed when the related goods and services are received. Advertising costs incurred during the year which are directly related to sales to be earned in the following year are recorded as a prepaid asset at September 30.

I. Property, Plant and Equipment

Mint facilities used in the manufacture of circulating coinage and numismatic products are located in San Francisco, CA, Philadelphia, PA, Denver, CO, and West Point, NY. In addition, the Mint owns the land and buildings at the Fort Knox Bullion Depository. Upon establishment of the PEF, property, plant, and

equipment used in production of numismatic products were transferred to the PEF at net book value. Plant and equipment items used jointly in numismatic production and circulating coinage production were allocated between the two funds based on historical usage percentages.
New purchases of plant and equipment used jointly in numismatic production and circulating coinage production are allocated between funds to reflect the funding and the anticipated usage of the assets. To the extent that future usage of plant and equipment differs from the historical usage factors, one fund will reimburse the other for its increased usage to recognize its increased share of depreciation and amortization expense.

The Mint leases its headquarters building and warehouse space from the General Services Administration (GSA), which charges a fee that approximates the commercial rental rates for similar properties. The building is recorded on the books of the GSA.

Property, plant, and equipment items are stated at cost and are depreciated on the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

ADP Software - 1 to 3 years
Machinery and equipment - 1 to 20 years
Structures, facilities, and leasehold improvements - 6 to 30 years

Major alterations and renovations are capitalized over the shorter of a ten year period or the remaining life of the lease and depreciated on the straight-line method, while maintenance and repair costs are charged to expense as incurred.

In accordance with Public Law 103-310, dated August 25, 1994, 108 Stat. 1672, the Mint transferred to GSA, without consideration, the property located at Fifth and Mission Streets in San Francisco known as the Old Mint. The transfer included all improvements, structures, and fixtures located on the property. The building was acquired by transfer from GSA in 1906 and was fully depreciated.

J. Custodial Gold and Silver Reserves

The Mint serves as a custodian of a significant portion of the United States' gold and silver reserves. These resources are reported in the custodial segment of the Mint's statement of financial position at the lower of cost or market value. Absent any historical cost records to determine the acquisition cost of the gold and silver over the decades, the statutory rates of $42.2222 per FTO of gold and $1.292929292 per FTO of silver are used to value the entire custodial reserves held by the Mint. An offsetting custodial liability is also reported for these assets.

K. Surcharges

Legislation authorizing commemorative programs often includes a requirement that the PEF remit a portion of the sales price to beneficiary organizations or to the Treasury's General Fund. These amounts are referred to as "surcharges." Surcharges are remitted monthly, based upon program receipts for the prior month. A surcharges payable is established for surcharges received and not yet remitted.

L. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is calculated using current pay rates. To the extent current or prior year appropriations are not available to fund annual leave earned but not taken related to the circulating coinage

program, funding will be obtained from future financing sources. This future funding requirement is reflected as a reduction to net position on the statement of financial position. Accrued leave related to the numismatic programs will be paid for out of PEF funds. Sick leave and other types of nonvested leave are charged to operating costs as they are used.

M. Accrued Workers Compensation

A liability is recorded for estimated future payments to be made for workers compensation pursuant to the Federal Employees' Compensation Act (FECA).

The liability is based on the net present value of estimated future payments. Estimated future payments to be made by Treasury are calculated by the Department of Labor, which tracks and pays the claims and is subsequently reimbursed by Treasury. A portion of Treasury's liability is allocated to the Mint based on prior claims payment experience. The net present value of estimated payments related to PEF operations are recorded as a liability covered by budgetary resources. Payments related to the Mint's circulating coinage operations are not covered by budgetary resources and will require future funding.

N. Other Liabilities

Other liabilities consist primarily of undelivered numismatic products and obligations under capital lease.

O. Non-Operating Changes

These amounts represent the net increase in undelivered orders and contracts and unobligated balances available for obligation from unexpired appropriations.

P. Receipts Transferred to Treasury

The United States Mint Reauthorization and Reform Act of 1992 mandates that funds that are in excess of the PEF's needs are to be transferred to the Treasury.

The Secretary of the Treasury determines the transfer dates and amounts. In each of fiscal years 1995 and 1994, $10 million was transferred to the Treasury.

Note 2 Fund Balances with Treasury

The components of fund balances with Treasury and cash at September 30 are:

	1995	1994
Salaries & Expenses - Annual (2051616)*	$15,399	$16,117
Salaries & Expenses - No-Year(20X1616)	3,538	5,261
Non-Appropriated Funds -(20X5811)	2,427	1,173
PEF cash at Treasury - (20X4504)	70,378	73,563
Suspense & Clearing Accounts **	685	8
Total funds at Treasury	92,427	96,122
Imprest Funds	38	42
	$92,465	$96,164

PEF cash at Treasury includes $6.03 million restricted for payment of surcharges to beneficiary organizations.

* Also includes account symbols 2041616, 2031616, 2021616, and 2011616
** Includes account symbols 20X6875, 20F3878, and 20F3880

Note 3 Accounts Receivable

The components of accounts receivable at September 30 are:

	1995	1994
Accounts receivable, federal	$ 37	$454
Accounts receivable, non-federal	1,164	345
	$1,201	$799

Note 4 Operating Inventories, Net

The components of operating inventories at September 30 are as detailed below:

	1995	1994
Numismatic Programs:		
Operating Metal	$74,295	$101,190
Supplies	14,920	9,380
Dies	2,836	1,561
Allowance for program closeout	(1,927)	(3,972)
Sub-Total Numismatic	$90,124	$108,159
Circulating Coinage Program:		
Operating Metal	$ 89,198	$ 81,849
Supplies	5,300	5,935
Dies	330	533
Sub-Total Circulating Coinage	94,828	88,317
	$184,952	$196,476

Inventories include direct materials (metals, fabrication and transportation-in costs), direct labor, and overhead. Overhead consists of indirect factory labor, indirect materials, utilities, and depreciation. Operating inventories include 710,708 FTOs of gold and 12,588,984 FTOs of silver at September 30, 1995 and 1,079,137 FTOs of gold and 10,379,169 FTOs of silver at September 30, 1994.

The liability for the metal cost portion of operating inventories is included in accounts payable-federal for numismatic programs, and in circulating coinage held for Treasury for the circulating coin program.

Finished domestic coins (included in operating metal) are reported at cost. Finished coins include 219,021,382 Susan B. Anthony dollars minted in 1979 and 1980. The Federal Reserve System has been unable to place all these coins into circulation because of low public demand. Accordingly, a reserve has been established in an amount equal to the full cost of producing these coins, less net proceeds anticipated from sale of the scrap metal.

UNITED STATES MINT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1995

Note 5 Deferred Costs, Advances and Prepayments

The components of advances and prepayments at September 30 are:

	1995	1994
Deferred advertising costs, non-federal	$ 1,926	$3,815
Prepaid postage costs, federal	7,760	4,502
Other advances and prepayments, federal	0	332
Other advances and prepayments, non-federal	575	84
	$10,261	$8,733

Note 6 Property, Plant and Equipment, Net

The components of property, plant and equipment at September 30 are:

	1995	1994
Land	$ 2,527	$ 2,629
Structure, facilities and leasehold improvements	69,037	68,343
ADP software	563	563
Machinery and equipment	87,955	82,156
Assets under capital lease	50	17
	160,132	153,708
Accumulated depreciation and amortization	(82,076)	(81,811)
	$78,056	$71,897

Depreciation and amortization expense charged to operations for fiscal years 1995 and 1994 was $8,176 and $8,148, respectively.

Note 7 Displays and Archives

The Mint has a display area at each of its facilities and maintains archives at its headquarters in Washington, D.C. The displays and archives include valuable coins and commemoratives minted domestically and internationally, as well as other artifacts related to minting operations. These collections are not included in the inventory balances as reported in these financial statements.

Custodial records are maintained of all coins, commemoratives, and other valuable artifacts. Physical inspections are performed annually to ensure accountability for these collections.

Note 8 Contingencies

The Mint is involved in various lawsuits incidental to its operations. Judgments resulting from pending litigation against the Mint generally would be satisfied from the Department of Justice Judgment Fund.

In the opinion of management, the ultimate resolution of pending litigation issues will not have a material effect on the financial statements of the Mint.

Note 9 Fund Balances

1995	Enterprise Fund	No-Year Funds	Appropriated Funds	Total
Unexpended Appropriations				
Unobligated	$ N/A	$6,487	$ 4,740	$ 11,227
Undelivered Orders	N/A	2,327	8,296	10,623
Invested Capital	15,366	0	50,718	66,084
Cumulative Results of Operations	33,792	0	(14,373)	19,419
	$49,158	$8,814	$49,381	$107,353

1994	Enterprise Fund	No-Year Funds	Appropriated Funds	Total
Unexpended Appropriations				
Unobligated	$ N/A	$3,672	$ 3,984	$ 7,656
Undelivered Orders	N/A	2,232	9,531	11,763
Invested Capital	15,366	0	54,171	69,537
Cumulative Results of Operations	39,054	0	(9,985)	29,069
	$54,420	$5,904	$57,701	$118,025

Note 10 Custodial Gold and Silver Reserves

The custodial gold and silver reserves are reported in the custodial segment of the Mint's statement of financial position at the lower of cost or market value. Absent any historical cost records to determine the acquisition cost of the gold and silver over the decades, the statutory rates of $42.2222 per FTO of gold and $1.292929292 per FTO of silver are used to value the entire custodial reserves held by the Mint. For purposes of comparison, the market value of these assets is disclosed in this footnote.

The market value (MKT) for custodial gold and silver reserves at September 30 is:

1995	FTOs	MKT Rate	MKT Value
Custodial Gold	247,570,393.366	$384.00	$95,067,031
Custodial Silver	16,708,016.82	5.53	92,395
			$95,159,426

1994	FTOs	MKT Rate	MKT Value
Custodial Gold	247,274,090.284	$394.85	$97,636,174
Custodial Silver	17,315,620.53	5.62	97,314
			$97,733,488

The change in the number of silver and gold FTOs between years is due to the use of these metals in the Mint's numismatic operations. Upon shipment of products to its customers, the Mint reimburses the Treasury for metals used in its numismatic operations at market values.

Note 11. Costs and Expenses

The chart below and on the next page provides a breakdown of the components of costs and expenses for the years ended September 30, 1995 and 1994.

	1995		1994	
	Circulating Coinage	Numismatic	Circulating Coinage	Numismatic
Finished goods, beginning inventory	$ 847	$ 5,041	$ 837	$ 4,265
Cost of goods manufactured:				
Work in process, beginning inventory	129	10,411	2,088	6,497
Metals*	202,221	232,869	163,424	186,381
Direct labor	3,677	6,236	4,230	8,420
Manufacturing overhead	32,063	36,455	25,497	41,302
Work in process, ending inventory	(406)	(8,636)	(129)	(10,411)
Total cost of goods manufactured	237,684	277,335	195,110	232,189
Cost of goods available for sale	238,531	282,376	195,947	236,454
Finished goods, ending inventory	(1,780)	(6,157)	(847)	(5,041)
Cost of goods sold	$236,751	$276,219	$195,100	$231,413

*Cost of goods sold for the PEF (metals) includes seigniorage of approximately $4.0 million for 1995 and $8.3 million for 1994. Seigniorage is the difference between the face value of the coins and the cost of metals (including fabrication and transportation-in costs) used in minting of the coins, and is considered a cost incurred by the PEF for certain numismatic products (5 Coin Proof, 10 Coin Uncirculated, and clad commemorative coins). The PEF pays Treasury for Seigniorage on numismatic products upon shipment of the coins to customers.

	1995		1994	
	Circulating** Coinage	Numismatic	Circulating Coinage	Numismatic
Selling expenses:				
Marketing	$ 26	$41,508	$ 5	$34,953
Security	6,685	6,721	6,301	6,251
Total selling expenses	6,711	48,229	6,306	41,204
General and administrative expenses:				
Other salaries and benefits	11,588	16,276	10,456	13,612
Computer services	1,078	3,181	1,241	3,746
Transportation, communication, and training	2,591	4,496	1,859	4,456
Supplies	361	1,683	240	808
Non Capitalized Equipment	87	389	288	815
Depreciation	284	1,010	412	1,102
Maintenance	2,038	2,168	1,653	2,257
Utilities	511	399	413	462
Rent	784	2,631	554	1,535
Other admin. services***	585	(648)	526	962
Melting	1,246	1,189	510	1,918

	1995		1994	
	Circulating** Coinage	Numismatic	Circulating Coinage	Numismatic
Engraving	0	937	0	684
Transportation to FRB	4,644	0	4,611	0
Total general and administrative expenses	25,797	33,711	22,988	32,357
Total selling, general, and administrative expenses	$32,508	$81,940	$29,294	$73,561
Total cost of goods sold and selling, general, and administrative expenses	$269,259	$358,159	$224,394	$304,974

**Also includes general and administrative expenses related to the Mint's custodial responsibilities for the United States' gold and silver reserves.

***Other administrative services for fiscal year 1995 for PEF includes allocations for items not initially charged to a specific fund and modifications to prior year adjustments.

Note 12 Non-Operating Changes

The following is a breakdown of non-operating changes for fiscal years 1995 and 1994:

	1995	1994
Net change in undelivered orders and unobligated balances	$(1,749)	$(2,392)
Donated capital	0	21
Budgetary expense adjustments incurred for circulating coin production	(3,661)	2,190
	$(5,410)	$ (181)

Note 13 Surcharges Collected

The following is a breakdown of incurred surcharges by product and beneficiary organization for fiscal years 1995 and 1994.

Commemorative Program	Beneficiary Organization	1995	1994
•Civil War	The Civil War Trust	$ 5,427	$ 0
•1996 Olympic Games	Atlantic Committee for the Olympic Games	11,220	0
•Special Olympics	1995 Special Olympics	1,815	0
•Bill of Rights	James Madison Memorial Fellowship Trust Fund	0	418
•World War II	World War II Veterans Memorial Fund	12	347
	Battle of Normandy Foundation	12	347
•Yosemite Medal	National Park Foundation	5	15

Commemorative Program	Beneficiary Organization	1995	1994
•Franklin Medal	National Association of State Fire Marshals	4	51
	The National Fire Protection Association "Learn Not to Burn" Foundation	4	51
	International Association of Arson Investigators	4	51
	Educational Fund Institute For Life Safety	4	51
	Technical and Emergency Management Education	4	51
	National Volunteer Fire Council Foundation	4	51
	International Association of Fire Chiefs Foundation	4	51
	The Franklin Institute	4	51
•World Cup	World Cup USA 1994, Inc.	239	9,071
•Thomas Jefferson	Thomas Jefferson Memorial Foundation, Inc.	0	3,000
	Corporation for Jefferson Poplar Forests	0	3,000
•US Veterans	Vietnam Veterans Memorial Fund	467	2,326
	Women In Military Service	467	2,326
	Andersonville Prisoner-of-War Museum	467	2,326
•US Capitol	Capitol Preservation Commission	2,290	2,929
Total		$22,453	$26,513

Note 14 Retirement Plan

Approximately 43% of the Mint's employees participate in the Civil Service Retirement System (CSRS), to which the Mint makes a matching contribution equal to 7 percent of pay. On January 1, 1984, the Federal Employees Retirement System (FERS) went into effect pursuant to Public Law 99-335. Most employees hired on or after January 1, 1984, are automatically covered by FERS and the Social Security System. Employees hired prior to January 1984, elected to either join FERS and Social Security or remain in CSRS. A primary feature of FERS is a savings plan to which the Mint automatically contributes 1 percent of pay and then matches any employee contribution up to an additional 4 percent of pay. For most employees hired on or after January 1, 1984, the Mint also contributes the employer's matching share for Social Security. The Mint also contributes the employer's matching share for Social Security for employees hired before January 1, 1984 who have converted to FERS.

Although the Mint funds a portion of the benefits under FERS and CSRS relating to its employees and makes the necessary withholdings from them, it has no liability for future payments to employees under these plans, nor does it report CSRS, FERS, or FICA assets, accumulated plan benefits, or unfunded liabilities applicable to its employees. These amounts are reported by the Office of Personnel Management and are not allocated to the individual employers.

The following table shows the amounts the Mint contributed to the retirement plans and Social Security in fiscal years 1995 and 1994.

	1995	1994
Civil Service Retirement System	$ 2,511	$ 2,697
Federal Employees Retirement System (Retirement & Thrift Savings Plan)	5,507	4,963
Social Security	3,878	3,821
	$11,896	$11,481

Note 15 Related Parties

The Mint is subject to management control by the Secretary of the Treasury and the Director of OMB.

The PEF does not reimburse the CM/BF for metal, fabrication, and transportation-in costs related to numismatic production for a period from one month up to a year (depending on the product) after shipment of finished goods to PEF customers. Hence, the cost of capital associated with carrying these inventories is borne by the Treasury and is not reflected in the PEF's financial results. As an offsetting matter, the Mint does not receive interest on its PEF cash account at Treasury.

The Mint is required by certain commemorative program legislation to obtain silver to be used in minting of the commemorative from the Defense Logistics Agency's (DLA) stockpiles. The PEF reimburses the DLA at the market price for silver, less the statutory rate for silver of $1.292929292 per FTO. The $1.292929292 per FTO is paid by the PEF to Treasury.

During fiscal year 1995 payments were made to the following government entities: the Government Printing Office ($1.7 million), the U.S. Postal Service ($16.6 million), and the General Services Administration ($4.0 million).

During fiscal year 1994 payments were made to the following government entities: the Government Printing Office ($2.1 million), U.S. Postal Service ($16.9 million) and the General Services Administration ($5.8 million).

The Mint shipped approximately $1,049.0 million in coins (face value) to the Federal Reserve Banking System in fiscal year 1995 and approximately $930.2 million in fiscal year 1994. The 1995 shipments represent a 1.13% increase in the face value amount of coinage shipments to the Federal Reserve Banking System over fiscal year 1994. This increase is directly correlated to the increase in circulating coin production for fiscal year 1995 over fiscal year 1994, 19.5 and 19.2 billion coins, respectively.

Numismatic orders, checks, and credit card orders are processed by Mellon Bank. Fees associated with these services are absorbed by Treasury and are not reflected in the Mint's financial statements.

UK &W Urbach Kahn & Werlin PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

UNITED STATES DEPARTMENT OF THE TREASURY
Office of Inspector General

We have audited the accompanying statement of financial position of the United States Mint (Mint), a bureau of the Department of the Treasury, Numismatic Public Enterprise Fund (PEF) as of September 30, 1995, and the related statements of operations and changes in net position, and cash flows for the fiscal year then ended. These financial statements are the responsibility of the Mint's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of PEF as of September 30, 1994 and the fiscal year then ended were audited by other auditors whose report dated April 11, 1995 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards,* issued by the Comptroller General of the United States, and Office of Management and Budget Bulletin 93-06, *Audit Requirements for Federal Financial Statements.* These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 1995 financial statements referred to above, present fairly, in all material respects, the financial position of PEF as of September 30, 1995, the results of its operations, the changes in its net position, and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 28, 1996 on our consideration of the Mint's internal control structure and a report dated March 28, 1996 on its compliance with laws and regulations.

Urbach Kahn & Werlin PC

Washington, DC
March 28, 1996

GOVERNMENT AUDIT AND CONSULTING GROUP
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DEPARTMENT OF THE TREASURY
U.S. MINT
PUBLIC ENTERPRISE FUND
STATEMENT OF FINANCIAL POSITION
(IN THOUSANDS)

	September 30, 1995	September 30, 1994
ASSETS		
Current assets		
Fund balances with Treasury (Note 2)	$70,386	$73,563
Accounts receivable	969	490
Operating inventories, net (Note 3)	90,124	108,159
Deferred advertising costs, advances and prepayments (Note 4)	10,032	8,327
Total current assets	171,511	190,539
Property, plant and equipment, net (Note 5)	35,000	26,854
Other assets	237	- 0 -
Total assets	**$206,748**	**$217,393**
LIABILITIES AND NET POSITION		
Liabilities		
Accounts payable - federal (Note 3)	$101,958	$114,185
Accounts payable - non-federal	13,029	9,522
Surcharges payable	6,027	10,722
Unearned revenue	14,127	6,347
Accrued salaries and benefits	2,595	2,476
Accrued workers' compensation benefit	14,636	15,048
Accrued annual leave	3,416	3,421
Due to other Mint funds	1,185	934
Other liabilities	617	318
Total liabilities	157,590	162,973
Net position		
Invested capital	15,366	15,366
Cumulative results of operations, net	33,792	39,054
Total net position	49,158	54,420
Total liabilities and net position	**$206,748**	**$217,393**

The accompanying notes are an integral part of these statements.

DEPARTMENT OF THE TREASURY
U.S. MINT
PUBLIC ENTERPRISE FUND
STATEMENT OF OPERATIONS AND CHANGES IN NET POSITION
(IN THOUSANDS)

	Year Ended September 30,	
	1995	1994
Sales revenue		
Sales to the public	$385,350	$340,854
Surcharges collected for beneficiary organizations (Note 8)	(22,453)	(26,513)
Net sales	362,897	314,341
Costs of goods sold (Note 9)	276,219	231,413
Selling, general and administrative expenses (Note 10)	81,940	73,561
Net income	4,738	9,367
Net position, beginning of year	54,420	55,053
Transfers to the General Fund (Note 1)	(10,000)	(10,000)
Net position, end of year	$49,158	$54,420

The accompanying notes are an integral part of these statements.

DEPARTMENT OF THE TREASURY
U.S. MINT
NUMISMATIC PUBLIC ENTERPRISE FUND STATEMENT OF CASH FLOWS
(IN THOUSANDS)

	Year Ended September 30, 1995	1994
Cash flows from operating activities:		
Net Income	$4,738	$9,367
Adjustments affecting cash flows:		
Increase in accounts receivable	(479)	(82)
Decrease in other assets	16,093	8,077
Decrease in accounts payable	(8,720)	(31,334)
Increase (decrease) in other liabilities	3,337	(32,561)
Depreciation and amortization	(3,483)	(280)
Total adjustments	6,748	(56,180)
Net cash provided (used) by operating activities	11,486	(46,813)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(4,663)	649
Net cash provided (used) by investing activities	(4,663)	649
Cash flows from financing activities:		
Deduct: Funds transferred to Treasury	(10,000)	(10,000)
Net cash used by financing activities	(10,000)	(10,000)
Net cash used by operating, investing and financing activities	(3,177)	(56,164)
Fund balances with Treasury at beginning of year	73,563	129,727
Fund balances with Treasury at end of year	$70,386	$73,563

The accompanying notes are an integral part of these statements.

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
NOTES TO THE NUMISMATIC PUBLIC
ENTERPRISE FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1995

(Dollars in thousands except Fine Troy Ounce Information)

Note 1 Summary of Significant Accounting Policies

A. Basis of Presentation

The Numismatic Public Enterprise Fund (the Fund or PEF) was established in 1993 to report separately the financial position and results of the U.S. Mint's (the Mint) numismatic programs. The manufacture of numismatic products is a self-sustaining activity of the Mint, financed principally through sales to the public.

The PEF is not a separate federal entity. It is an integral part of the operations of the Mint, and is thus subject to financial decisions and management controls of the Mint and the Department of the Treasury (Treasury). Because the PEF is not a separate or unrelated entity, its operations might not be conducted, nor its financial position reported, as they would if it were autonomous. The Secretary of the Treasury is required by the U.S. Mint Reauthorization and Reform Act of 1992 to prepare financial statements for the PEF annually, and submit these statements to the Congress and the President. These statements have been prepared from the books and records of the Mint and should be read in conjunction with the consolidated financial statements of the Mint.

B. Basis of Accounting

The accounting records of the PEF are maintained, and the financial statements prepared, on the accrual basis of accounting. This basis conforms with private sector generally accepted accounting principles.

C. Accounts Receivable

Pursuant to legislation authorizing production of commemorative coins and other numismatic products, the Mint does not ship products to non-government customers until full payment is received. The PEF's accounts receivable consist primarily of amounts due from Eastern National Park and Monument Association, a not-for-profit organization responsible for the Philadelphia Mint sales area.

An allowance for uncollectible accounts receivable is not established because historical accounts receivable loss experience does not warrant the establishment of an allowance.

D. Inventories

Inventories are accounted for at the lower of average cost or market value. Absent historical cost records to determine the acquisition cost of the gold and silver over the decades, the statutory rates of $42.2222 per fine troy ounce (FTO) of gold and $1.292929292 per FTO of silver are used. An exception is for gold used in the American Eagle Proof Program; gold used in this program is purchased on the open market, thus actual costs are used.

Inventories include direct materials (metals, fabrication and transportation-in costs), direct labor, and overhead. "Transportation-in" refers to the shipment of metals from fabricators and among Mint facilities.

E. Deferred Advertising Costs, Advances and Prepayments

Advertising costs incurred during the year which directly relate to revenues to be earned in the following year are recorded as a prepaid asset at September 30. Prepayments include payments made to the U.S. Postal Service for postage costs to be incurred in the following year.

F. Property, Plant and Equipment

Mint facilities used in the manufacturing of numismatic products are located in San Francisco, CA, Philadelphia, PA, Denver, CO, and West Point, NY. Plant and equipment items used jointly in numismatic production and circulating coin production are allocated between the PEF and appropriated funds based on historical usage percentages. New purchases of plant and equipment used jointly in numismatic production and circulating coin production are allocated between funds to reflect the funding and the anticipated usage of the assets. To the extent that future usage of plant and equipment differs from the historical usage factors, one fund will reimburse the other for its increased usage to recognize its increased share of depreciation and amortization expense related to the plant and equipment.

The Mint leases its headquarters building from the General Services Administration (GSA), which charges a fee that approximates the commercial rental rates for similar properties. The building is carried on the books of the GSA.

Property, plant and equipment is stated at cost and is depreciated on the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

ADP Software - 1 to 3 years
Machinery and equipment - 1 to 20 years
Structures, facilities, and leasehold improvements - 6 to 30 years

Major alterations and renovations are capitalized over the shorter of a 10 year period or the remaining life of the lease and depreciated on the straight line method. Maintenance and repair costs are charged to expense as incurred.

In accordance with Public Law 103-310, dated August 25, 1994, 108 Stat. 1672, the United States Mint transferred to GSA, without consideration, the property located at Fifth and Mission Streets in San Francisco known as the Old Mint. The transfer included all improvements, structures, and fixtures located on the property. The building was acquired by transfer from GSA in 1906 and was fully depreciated.

G. Accounts Payable - Federal

Metals, fabrication, and transportation-in costs are initially paid from funds of the Treasury's Coinage Metal/Bullion Fund (CM/BF). The CM/BF is reimbursed by the PEF for these costs. Reimbursement does not occur until from one month up to a year (depending on the product) after shipment of finished goods to PEF customers.

Inventories of the CM/BF related to numismatic metals, fabrication, and transportation-in costs are included in the PEF's financial statements to fully show the operations of the Mint's numismatic programs. Amounts to be reimbursed to the CM/BF for these inventories are recorded in Accounts Payable - Federal.

H. Revenue Recognition

Legislation authorizing production of commemorative coins and other numismatic products requires that full payment (from non-government customers) be received in advance of shipment of the coins. These payments are initially recorded as unearned revenue. Revenue is recognized as earned upon shipment of products to customers.

I. Surcharges

Legislation authorizing commemorative programs often includes a requirement that the PEF remit a portion of the sales price to beneficiary organizations or to the Treasury's General Fund. These amounts are referred to as "surcharges." Surcharges are remitted monthly, based upon applicable receipts for the prior month. A surcharges payable is established for surcharges received, but not yet remitted.

J. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is calculated using current pay rates. Sick leave and other types of nonvested leave are charged to operating costs as they are used.

K. Accrued Workers Compensation

A liability is recorded for estimated future payments to be made for workers compensation pursuant to the Federal Employees' Compensation Act (FECA). The liability is based on the net present value of estimated future payments. Estimated future payments to be made by the Treasury are calculated by the Department of Labor, which tracks and pays the claims and is subsequently reimbursed by Treasury. A portion of Treasury's liability is allocated to the Mint based on prior claims payment experience.

L. Receipts Transferred to Treasury

The United States Mint Reauthorization and Reform Act of 1992 mandates that funds that are in excess of the PEF's needs are to be transferred to the Treasury.

The Secretary of the Treasury determines the transfer dates and amounts. In each of fiscal years 1995 and 1994, $10 million was transferred to the Treasury.

Note 2 Fund Balances with Treasury

The components of fund balances with Treasury at September 30 are:

Fund balances with Treasury:

	1995	1994
Entity cash	$64,359	$62,841
Cash restricted for payment of surcharges	6,027	10,722
	$70,386	$73,563

Note 3 Operating Inventories, Net

The components of inventory at September 30 are:

	1995	1994
Operating Metals	$74,295	$101,190
Supplies	14,920	9,380
Dies	2,836	1,561
Allowance for program closeout	(1,927)	(3,972)
	$90,124	$108,159

Operating inventories include 710,708 FTOs of gold and 12,588,984 FTOs of silver at September 30, 1995 and 1,079,137 FTOs of gold and 10,379,169 FTOs of silver at September 30, 1994. This incudes 29,484 FTOs of gold to be used in the American Eagle Proof Program that are valued at actual cost of $11.2 million. All other gold and silver is valued at the statutory rates of $42.2222 per FTO of gold and $1.292929292 per FTO of silver.

The liability for the cost of the metal in operating inventories is included in the accounts payable-federal portion of the Public Enterprise Fund Statement of Financial Position.

Note 4 Deferred Advertising Costs, Advances, and Prepayments

The components of deferred advertising costs, advances, and prepayments at September 30 are:

	1995	1994
Deferred advertising costs, non-federal	$1,881	$3,815
Prepaid postage costs, federal	7,760	4,502
Other advances and prepayments, non-federal	391	10
	$10,032	$8,327

Note 5 Property, Plant, and Equipment, Net

The components of property, plant, and equipment at September 30 are:

	1995	1994
Land	$ 820	$ 920
Structure, facilities, and leasehold improvements	29,982	30,153
ADP software	441	441
Machinery and equipment	35,605	30,694
Assets under capital lease	35	12
	66,883	62,220
Accumulated depreciation and amortization	(31,883)	(35,366)
	$35,000	$26,854

Depreciation and amortization expense charged to operations for fiscal years 1995 and 1994 was $3,498 and $3,834, respectively.

UNITED STATES MINT
NOTES TO THE NUMISMATIC PUBLIC ENTERPRISE FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 1995

Note 6 Displays and Archives

The Mint has display areas at each of its facilities and maintains archives at its headquarters in Washington, D.C. The displays and archives include valuable coins and commemoratives minted domestically and internationally, as well as other artifacts related to minting operations. With the exception of gold and silver content, these collections are not included in the inventory balances as reported in these financial statements. Custodial records are maintained of all coins, commemoratives, and other valuable artifacts. Physical inspections are performed annually to ensure accountability for these collections.

Note 7 Contingencies

The Mint is involved in various lawsuits incidental to its operations, including suits related to its numismatic operations. Judgements resulting from pending litigation against the Mint generally would be satisfied from the Department of Justice Judgement Fund. In the opinion of management, the ultimate resolution of pending litigation issues will not have a material effect on the financial statements of the PEF.

Note 8 Surcharges Collected

The following is a breakdown of incurred surcharges by product and beneficiary organization for fiscal years 1995 and 1994.

Commemorative Program	Beneficiary Organization	1995	1994
•Civil War	The Civil War Trust	$ 5,427	$ 0
•1996 Olympic Games	Atlantic Committee for the Olympic Games	11,220	0
•Special Olympics	1995 Special Olympics	1,815	0
•Bill of Rights	James Madison Memorial Fellowship Trust Fund	0	418
•World War II	World War II Veterans Memorial Fund	12	347
	Battle of Normandy Foundation	12	347
•Yosemite Medal	National Park Foundation	5	15
•Franklin Medal	National Association of State Fire Marshals	4	51
	The National Fire Protection Association "Learn Not to Burn" Foundation	4	51
	International Association of Arson Investigators	4	51
	Educational Fund Institute For Life Safety	4	51
	Technical and Emergency Management Education	4	51
	National Volunteer Fire Council Foundation	4	51
	International Association of Fire Chiefs Foundation	4	51

Commemorative Program	Beneficiary Organization	1995	1994
	The Franklin Institute	4	51
•World Cup	World Cup USA 1994, Inc.	239	9,071
•Thomas Jefferson	Thomas Jefferson Memorial Foundation, Inc.	0	3,000
	Corporation for Jefferson Poplar Forests	0	3,000
•US Veterans	Vietnam Veterans Memorial Fund	467	2,326
	Women In Military Service	467	2,326
	Andersonville Prisoner-of-War Museum	467	2,326
•US Capitol	Capitol Preservation Commission	2,290	2,929
Total		$22,453	$26,513

Note 9 Cost of Goods Sold

The following is a breakdown of the components of cost of goods sold for the year ended September 30, 1995:

	1995	1994
Finished goods, beginning inventory	$ 5,041	$ 4,265
Cost of goods manufactured:		
Work in process, beginning inventory	10,411	6,497
Metals	232,869	186,381
Direct labor	6,236	8,420
Manufacturing overhead	36,455	41,302
Work in process, ending inventory	(8,630)	(10,411)
Total cost of goods manufactured	277,335	232,189
Cost of goods available for sale	282,376	236,454
Finished goods, ending inventory	(6,157)	(5,041)
Cost of goods sold	$276,219	$231,413*

* Cost of goods sold for the PEF includes seigniorage of approximately $4.0 for 1995 and $8.3 million for 1994. The PEF pays Treasury for seigniorage on coins used in the manufacture of proof and uncirculated coin sets. Seigniorage is the difference between the face value of the coins and the cost of metals (including fabrication and transportation-in costs) used in minting of the coins and is considered a cost incurred by the PEF for certain numismatic products (5 Coin Proof, 10 Coin Uncirculated, and clad commemorative coins). The PEF pays Treasury for seigniorage on numismatic products upon shipment of the coins to customers.

Note 10 Selling, General, and Administrative Expenses

The following is a breakdown of the components in selling, general, and administrative expenses for the year ended September 30, 1995:

	1995	1994
Selling, general, and administrative expenses		
Selling expenses:		
Marketing	$41,508	$34,953
Security	6,721	6,251
Total selling expenses	48,229	41,204
Other general and administrative expenses:		
Other salaries and benefits	16,276	13,612
Computer services	3,181	3,746
Transportation, communication, and training	4,496	4,456
Supplies	1,683	808
Depreciation	1,010	1,102
Non-Capitalized Equipment	389	815
Maintenance	2,168	2,257
Utilities	399	462
Rent	2,631	1,535
Other admin. services/adjustments	(648) *	962
Melting	1,189	1,918
Engraving	937	684
Total other general and administrative expenses	33,711	32,357
Total selling, general, and administrative expenses	$81,940	$73,561

* Other administrative services/adjustments for fiscal year 1995 for PEF includes allocations for items not initially charged to a specific fund and modifications to prior year adjustments.

Note 11 Employee Retirement Plan

The Mint is reimbursed by the PEF for personnel costs incurred in numismatic program production (including marketing), as well as an allocated portion of administrative personnel costs. Personnel costs for which PEF reimburses the Mint include matching contributions to the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) which became effective January 1, 1984. Although the PEF funds a portion of the benefits under FERS and CSRS related to its employees and makes the necessary withholdings from them, it has no liability for future payments to employees under these plans, nor does it report CSRS, FERS, or FICA assets, accumulated plan benefits or unfunded liabilities applicable to its employees. These amounts are reported by the Office of Personnel Management and not allocated to the individual employers.

The following table shows the amounts the PEF contributed to the retirement plans and Social Security in fiscal years 1995 and 1994.

	1995	1994
Civil Service Retirement System	$1,376	$1,527
Federal Employees Retirement System		
(Retirement & Thrift Savings Plan)	3,415	2,409
Social Security	2,400	2,455
	$7,191	$6,391

Note 12 Related Parties

The PEF does not reimburse the Treasury for metal, fabrication, and transportation-in costs related to numismatic production until from one month up to a year (depending on the product) after shipment of finished goods to PEF customers. Hence, the cost of capital associated with carrying these inventories is borne by the Treasury and is not reflected in the PEF's financial results. As an offsetting matter, the Mint does not receive interest on its PEF cash account at Treasury.

The Mint is required by certain commemorative program legislation to obtain silver to be used in minting the commemorative from the Defense Logistics Agency's (DLA) stockpiles. The PEF reimburses the DLA at the market price for silver, less the statutory rate for silver of $1.292929292 per FTO. The $1.292929292 per FTO is paid by the PEF to Treasury.

During fiscal year 1995 payments were made to the following government entities: the Government Printing Office ($1.6 million), the U.S. Postal Service ($16.5 million), and the General Services Administration ($3.4 million).

During fiscal year 1994 payments were made to these same government entities: the Government Printing Office ($2.0 million), the U.S. Postal Service ($16.8 million) and the General Services Administration ($4.2 million).

Numismatic orders, checks, and credit card orders are processed by Mellon Bank. Fees associated with these services are absorbed by Treasury and are not reflected in the Mint's financial statements.

DEPARTMENT OF THE TREASURY
WASHINGTON

INSPECTOR GENERAL

MAY 8 1996

MEMORANDUM FOR PHILIP N. DIEHL
DIRECTOR OF THE UNITED STATES MINT

FROM: Valerie Lau *Valerie Lau*
Inspector General

SUBJECT: Audited Statements of Custodial Gold and Silver Reserves for the United States Mint as of September 30, 1995 and 1994

Attached is our report on the Mint's Statements of Custodial Gold and Silver Reserves (custodial statements) as of September 30, 1995 and 1994, which are incorporated in Section III. We have submitted a copy of the attached package to the Secretary of the Treasury and to the Assistant Secretary for Management/Chief Financial Officer for transmission to the Office of Management and Budget.

The results of our audit of the custodial statements will be relied upon by Urbach Kahn & Werlin PC, an Independent Public Accountant, who conducted the audit of the Mint's Fiscal Year 1995 Chief Financial Officer's Annual Report.

The audit objectives were to provide reasonable assurance that the Mint's custodial statements are free from material misstatement, significant controls have been designed and placed into operation, and the Mint complied with applicable laws and regulations.

Our report includes our unqualified opinion on the Mint's custodial statements. Our report contains no reportable conditions related to the internal control structure. We noted no instances of reportable noncompliance with laws and regulations.

In accordance with generally accepted government auditing standards, the opinion on the custodial statements is dated as of the last day of audit field work.

Should you or your staff have any questions, please contact me at (202) 622-1090 or Antoine Elachkar, Director of Financial Audits at (202) 927-5781. We appreciate the cooperation and the courtesies extended to our staff.

Attachment

SECTION I - REPORT OF THE INSPECTOR GENERAL

To the Director of the United States Mint

We have audited the accompanying Statements of Custodial Gold and Silver Reserves (custodial statements) of the United States Mint (U.S. Mint) as of September 30, 1995 and 1994. This report presents our unqualified opinion on these statements. Our audit disclosed no material weaknesses in the internal control structure and no reportable instances of noncompliance with laws and regulations.

This report describes our responsibility for examining these statements, and management's responsibilities for financial reporting, maintaining an internal control structure, and complying with certain applicable laws and regulations.

AUDITOR'S RESPONSIBILITIES

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 93-06, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the custodial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the custodial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall custodial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We obtained an understanding of the internal control structure. Specifically, our consideration included obtaining an understanding of significant internal control policies and procedures, and assessing the level of control risk relevant to all significant cycles, classes of transactions, or account balances.

We have, as part of our audit, performed tests of the U.S. Mint's compliance with certain laws and regulations that may directly affect the custodial statements. However, the objective of our audit of the custodial statements was not to provide an opinion on overall compliance with such laws and regulations.

MANAGEMENT'S RESPONSIBILITIES

Management is responsible for:

- Preparing the custodial statements in conformity with the accounting policies described in Note 1 to the accompanying custodial statements;

- Establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the benefits and related costs of internal accounting policies and procedures; and

- Complying with laws and regulations applicable to the U.S. Mint's custodial responsibilities over the gold and silver reserves.

OPINION ON THE CUSTODIAL STATEMENTS

In our opinion, the custodial statements referred to above present fairly, in all material respects, the value of the United States' gold and silver reserves, in the custody of the U.S. Mint, as of September 30, 1995 and 1994, in conformity with the accounting policies described in Note 1 to the statements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

INTERNAL CONTROL STRUCTURE

In planning and performing our audit of the custodial statements for the year ended September 30, 1995, we obtained an understanding of its internal control structure. Specifically, we obtained an understanding of the design of relevant policies and procedures and whether they had been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the custodial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion. Our consideration included obtaining an understanding of the significant internal control structure policies and procedures and assessing the level of control risk relevant to all significant cycles, classes of transactions, or account balances.

The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Transactions, including those related to obligations and costs, are executed in accordance with laws and regulations that could have a direct and material effect on

  the custodial statements that the OMB, entity management, or the Inspector General have identified as being significant for which compliance can be objectively measured and evaluated;

- Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition; and

- Transactions are properly recorded and accounted for to permit the preparation of the custodial statements in accordance with applicable accounting policies and to maintain accountability over the assets.

Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants and OMB Bulletin No. 93-06, *Audit Requirements for Federal Financial Statements*. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the custodial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

COMPLIANCE WITH LAWS AND REGULATIONS

As part of obtaining reasonable assurance about whether the custodial statements are free of material misstatement, we tested compliance with those laws and regulations directly affecting the custodial statements and certain other laws and regulations designated by the OMB and the U.S. Mint. However, our objective was not to provide an opinion on overall compliance with laws and regulations.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein by *Government Auditing Standards*, as issued by the Comptroller General of the United States.

SECTION I - REPORT OF THE INSPECTOR GENERAL

This report is intended for the information and use of the management of the U.S. Mint, the Department of the Treasury, the OMB, and the Congress. However, this report is a matter of public record, and its distribution is not limited.

Valerie Lau

Valerie Lau
Inspector General

March 27, 1996

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
STATEMENTS OF CUSTODIAL GOLD AND SILVER RESERVES
AS OF SEPTEMBER 30, 1995 AND 1994
(IN THOUSANDS)

CUSTODIAL GOLD AND SILVER RESERVES	1995	1994
United States' gold and silver reserves (Note 2)	$ 10,474,569	$ 10,462,844
Custodial liability to Treasury (Note 2)	10,474,589	10,462,844
Net gold and silver reserves custodial position	$ 0	$ 0

The accompanying notes are an integral part of these statements.

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
NOTES TO THE STATEMENTS OF CUSTODIAL GOLD AND SILVER RESERVES
AS OF SEPTEMBER 30, 1995 and 1994

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The United States Mint (U.S. Mint), established in 1792, is an integral part of the Department of the Treasury. The mission of the U.S. Mint is to manufacture coins for general circulation. In addition to manufacturing circulating coins, the U.S. Mint manufactures numismatic products, which include medals, proof coins, uncirculated coins, gold and silver bullion coins, and commemorative coins. These manufacturing operations are reported in the manufacturing segment of the U.S. Mint's consolidated financial statements. The U.S. Mint is also the custodian of a significant portion of the United States' gold and silver reserves, and accordingly, they are presented in the custodial segment of the U.S. Mint's Consolidated Statement of Financial Position.

The U.S. Mint's custodial activities, including the protection of the United States' gold and silver reserves in its custody, are funded by the U.S. Mint's Salaries and Expenses Appropriation.

B. Basis of Presentation

These custodial statements have been prepared to report the net gold and silver reserves custodial position of the U.S. Mint. The books and records of the U.S. Mint have served as the source of the information contained herein. The statements have been prepared in accordance with the guidance specified by the Office of Management and Budget (OMB) in Bulletin No. 94-01, *Form and Content of Agency Financial Statements*, Statement of Federal Financial Accounting Standards (SFFAS) No. 3, *Accounting for Inventory and Related Property*, issued by OMB, and the U.S. Mint's accounting policies, which constitute a comprehensive basis of accounting other than generally accepted accounting principles.

These custodial statements include all gold and silver classified by the U.S. Mint as "custodial reserves" as defined in Note 2 below. These statements do not include gold and silver withdrawn from the "custodial reserves" for use in the operations of the U.S. Mint's Public Enterprise Fund (PEF). The U.S. Mint's PEF occasionally uses gold and silver from the custodial reserves to support its numismatic operations. The PEF later replenishes the reserves with newly mined gold. These statements do not reflect any of the United States' gold and silver being used by the U.S. Mint in its operating inventory or any reserve amounts due to be replenished by the PEF.

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
NOTES TO THE STATEMENTS OF CUSTODIAL GOLD AND SILVER RESERVES
AS OF SEPTEMBER 30, 1995 and 1994

Note 2. Custodial Gold and Silver Reserves

Gold and silver are classified as reserves if in bar form. The custodial reserves also include foreign gold coins held by the Treasury for many years.

The gold and silver reserves are reported in these custodial statements at the lower of cost or market value, as required by SFFAS No. 3. Absent historical cost records to determine the acquisition cost of the gold and silver over the decades, the reserves are valued at the rates stated in U.S. Code Title 31, Sections 5116 and 5117 (statutory rates) which are $42.2222 per Fine Troy Ounce (FTO) of gold and $1.292929292 per FTO of silver. An offsetting custodial liability is also reported for these assets.

At September 30, 1995 and 1994 the market value of gold was $384.00 per FTO and $394.85 per FTO, respectively. Gold inventories consisted of the following at September 30:

	FTO	Statutory Value	Market Value
1995	247,570,393.366	$10,452,966,663	$95,067,031,053
1994	247,274,090.284	$10,440,456,095	$97,636,174,549

At September 30, 1995 and 1994, the market value of silver was $5.53 per FTO and $5.62 per FTO, respectively. Silver inventories consisted of the following at September 30:

	FTO	Statutory Value	Market Value
1995	16,708,016.82	$21,602,284	$92,395,333
1994	17,315,620.51	$22,387,873	$97,313,787

The change in the number of gold and silver FTOs between years is due to the use of these metals in the U.S. Mint's numismatic operations (the PEF). Upon shipment of products to its customers, the U.S. Mint's PEF replenishes the reserves for metals used in its operations.

UNITED STATES MINT SENIOR MANAGEMENT

Philip N. Diehl
Director

John P. Mitchell
Deputy Director

Andrew J. Cosgarea, Jr.
Chief Operating Officer

Jay M. Weinstein
Chief Financial Officer

David Pickens
Director of Marketing

William F. Daddio
Chief Security Officer

Kenneth B. Gubin
Chief Counsel

James M. Curtis
U.S. Bullion Depository

Harry J. Edwards
West Point Mint

Raymond J. DeBroekert
Denver Mint

Augustine A. Albino
Philadelphia Mint

Donald R. Butler
San Francisco Mint

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TREASURY

UNITED STATES MINT